



STATE OF CONNECTICUT
DEPARTMENT OF PUBLIC UTILITY CONTROL

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CHAIRPERSON

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Dear Economic Studies Working Group Steering Committee:

We grow increasingly concerned as we see the emerging dialogue over the development of economically beneficial transmission facilities. Specifically, we are concerned that the process and method used to evaluate economic transmission proposals must be competitive (*i.e.*, reviews many competing projects to identify relative benefits), comprehensive, open, transparent, non-discriminatory and in the public interest. Moreover, notwithstanding any language in the tariff or elsewhere to the contrary, we believe that it is imperative that load not be required to fund construction of any economic upgrades, but rather that any decision by load to fund such projects must be voluntary.¹

¹ The Department has serious concerns regarding the legal authority under the Federal Power Act of the ISO New England and the Federal Energy Regulatory Commission to require states to fund economic transmission upgrades that are not needed to maintain transmission system reliability or to fund the cost of transmission designed to promote and interconnect certain types of renewable generation that the ISO NE deems beneficial.

We believe that time is of the essence for resolving these concerns. The Department also believes that the best way to identify the lower cost alternatives and the most beneficial project proposals is to compare competing proposals rather than a “gold rush” approach in which individual proposals are examined in isolation on a first-come-first-served basis.

When Attachments K and N were developed, some extremely important issues were not fully addressed. For example, there is no specific language that determines the parameters (processes, assumptions, methodologies, criteria, etc.) for the economic studies that are essential for ultimately determining whether there will be an economic benefit. These parameters are critically important and could dictate the outcome of the analysis.

Such gaps in the rules will continue to impede our progress until they are resolved. Those who might be inclined to press on without first resolving these threshold issues relating to how the economic studies are to be conducted may find that the subsequent challenges may consume much more time (and produce a less desirable outcome) than simply confronting the issues now.

We believe that a concerted effort could resolve these issues reasonably quickly so that we may then take the necessary next steps toward implementing an appropriate review of economic transmission proposals. In order to focus the discussion, we offer the attached framework of ideas for the consideration of the participants.

We recognize that this straw proposal is not comprehensive but rather is an attempt to address the issues we perceive to be deal breakers.

We hope you find these suggestions useful. Please contact us if you have questions or comments.

Best regards,

A handwritten signature in black ink, appearing to read 'D. Downes', with a long horizontal flourish extending to the right.

Donald W. Downes
Chairman, Connecticut DPUC

Proposals for Transmission Dialogue

1. *Suspend Decision Making Until Outstanding Issues Are Resolved* – The ISO will not make a determination under Attachment N that any project qualifies as a Market Efficiency Transmission Upgrade that is eligible for inclusion in Regional Network Service rates on grounds that the project provides economic benefits until a settlement is reached or until a date certain. This provision will insure that the parties devote a serious, timely effort to resolution while protecting those parties that may be asked to pay for transmission projects.

2. *Determine Economic Benefit Study Parameters* – This process is well under way, but there needs to be further process in order to gain consensus regarding the procedure, methods, and criteria for evaluating proposed economic transmission upgrades. A significant number of parties representing substantial load, generation, and municipalities appear to have concerns that need to be addressed. One major issue of concern to the Department relates to assumptions the ISO NE makes regarding the potential benefits from generators that may or may not interconnect to the proposed transmission line. When assessing the economic benefits of any proposed transmission line, the ISO NE should not assume that any new generators will be interconnected, but rather should analyze the economic benefits of the line based on actual existing generation only. It is too speculative to assume that certain types of new generators or additional amounts of megawatts will, in fact, interconnect and operate in a specified manner when there are not any contracts in place to assure such performance or binding commitments in the FCM. Absent a firm commitment by generators to interconnect, as evidenced by an obligation in the FCM or a contractual obligation backed by sufficient performance security, ISO NE should not assume hypothetically that any new generators will interconnect for purposes of analyzing forecasted benefits of any economic transmission proposals.²

Equally important, projects should not be examined on a first-come-first-served basis in a process akin to a “gold rush.” Rather, an open season should be conducted to examine all alternatives so that the lower cost and/or most beneficial transmission projects can be selected. Unlike reliability upgrades, where a limited set of types of facilities at a limited set of specific locations will fix a specific transmission problem, with economic type upgrades, the variety of possible proposals is potentially unlimited as to the type, purpose, and location of the proposed facilities. For this reason, it is important to examine alternative proposals together before a determination is made that any particular alternative is economically beneficial.

² For any generators that may actually interconnect to any economic transmission projects, there is a substantial body of authority and precedent on the issue of who bears the costs of interconnection. The Department believes that these rules should remain applicable to generator interconnections to any economic transmission projects. First, as has traditionally been the case, the cost of interconnection must be borne by any generation project that may interconnect. Second, future determinations regarding PTF should not be expanded to categorize as PTF those facilities that have traditionally been treated as generation interconnection facilities.

3. *Develop the Mechanism for Realizing Economically Beneficial Projects* – This will be the most difficult issue to resolve. There appears to be widespread agreement that ISO should not unilaterally impose the costs of projects after a mere administrative procedure. Instead, we suggest several elements that the mechanism should include:

- Disengage the automatic inclusion of projects in RNS rates simply upon a finding of economic benefit.
- Announce the results of studies of projects that are alternatives, including other transmission, generation and demand-side alternatives, or complements to one another simultaneously, so that all participants can understand the benefits and obligations of each alternative and compare them to each other, singly or in combination.
- Partial cost socialization – if a particular project contains some elements that are clearly PTF additions and other elements that are not, then socialization should apply to the PTF elements and not apply to non-PTF elements. This principle could also be applied where some percentage of the transmission capacity is needed for reliability and additional capacity may be designed into the project to achieve economic benefits – *i.e.*, only the reliability costs would then be socialized.
- “Open season” approach