

NEPOOL Straw Proposal for EIPC Stakeholder Steering Committee

1. Create NEPOOL Steering Committee for NEPOOL to coordinate its interests, with 1 representative from each sector (the sector chair or its designee)

2. NEPOOL counsel will serve as point person for NEPOOL and will: (i) coordinate with NEPOOL, the New England States, ISO, and the SSC representatives from New England; (ii) monitor SSC/EIPC meetings and activities and report back to NEPOOL; and (iii) interact with the NEPOOL Steering Committee and mobilize that group as necessary.

3. Support the following broad principle in the EIPC process to develop the EIPC Steering Committee: equal representation from each geographic region is important; therefore, SSC representation should be equal from each region regardless of what other details are agreed upon for the SSC. This proposal would be consistent with the Transmission Owners' proposal and could be consistent with any others that ensure equal geographic/regional representation.

To: Eastern Interconnection Planning Collaborative
David Whitely
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From: Eastern Interconnection States Planning Council

Re: EIPC Stakeholder Steering Committee Straw Proposal

Date: March 30, 2010

The Eastern Interconnect States Planning Council (EISPC)¹ appreciates the opportunity to discuss and provide input on development of the Eastern Interconnection Planning Collaborative (EIPC) Stakeholder Steering Committee (SSC). In addition to the input that we have provided EIPC through conversations and meetings, we submit these written comments.

BACKGROUND

We begin, as we must, with the Funding Opportunity Announcement (FOA) issued by the Department of Energy (DOE) for Interconnection Wide Planning. As a general matter, “[t]he objective of this Funding Opportunity Announcement is ... to prepare analyses of transmission requirements under a broad range of alternative futures and develop long-term interconnection-wide transmission expansion plans.” But although the FOA provided separate funding for transmission planners (Topic A) and the States (Topic B), it expressly preserved a leadership role for State policymakers within Topic A. As a structural matter, and before even getting to the substance of the analysis DOE is seeking to fund, the FOA envisions that policy and policymakers should drive the process. Put another way, DOE wants State policymakers to participate and buy into this process, both in the short term and as part of the permanent planning discussion this FOA seeks to create.

The DOE awarded EISPC \$14 million to conduct the activities specified under Topic B of the FOA, which includes among other things:

- Developing inputs as needed to go into the interconnection-level analyses prepared under Topic A
- Designating Energy Zones of particular interest for low- or no-carbon electricity.

The States submitted a proposal to DOE that included the following:

¹ EISPC represents the 41 entities within the Eastern Interconnection who have jurisdiction over the retail electric industry – the 39 states plus the District of Columbia and City of New Orleans located within the Eastern Interconnection. The Canadian Provinces located with the Eastern Interconnection are *ex-officio* members of EIPSC.

- Developing the inputs and assumptions for some of the alternative futures that will be modeled by Topic A.
- Reviewing and, if necessary, providing revisions to the reference case that will be prepared by Topic A.
- Conducting studies that would help to refine the inputs and assumptions for the alternative futures modeled by Topic A.
- Preparing whitepapers that would assist EISPC members in interpreting the results of the activities conducted by Topic A.

DOE’s decision to award the Topic B funding to EISPC seems to us a directive that the deliverables for this project reflect the inputs and analysis we have been funded to provide. And so while the FOA mandated that the Topic A Recipient must draw “*at least one-third*” (our emphasis) of its SSC from State Representatives, we cannot agree that a one-third share of EISPC representatives on the SSC satisfies the fundamental purposes of the FOA. We recognize that the EIPC straw proposal sets the States’ representation on the SSC at 35% (7 of 20) under Option A and 34% (10 of 29) under Option B, and therefore satisfies the “*at least one-third*” language on its face. But the FOA requires a leadership role for State policymakers, and the proposal does not go far enough to create and protect that role.

EISPC’s RECOMMENDATION ON SSC STRAW PROPOSAL

EISPC believes the proposed structure of the SSC fails to reflect the unique and critical role the States play in electricity generation and transmission, and the work that it will be conducting through the \$14 million awarded to EISPC under the FOA. **For the reasons set forth below, EISPC members unanimously believe that EISPC should hold 51% of the seats on the SSC.**

RATIONALE FOR EISPC’S RECOMMENDATION

While the States recognize that many stakeholders will participate and be involved with the EIPC process, all stakeholders are not situated equally. Indeed, EISPC – which is comprised entirely of State officials – differs *fundamentally* from all other stakeholders who will be participating in the SSC. The following sets forth some of the important distinctions between the States and the other stakeholders in the SSC. The importance of these distinctions highlights why the States should be in a strong leadership role on the SSC:

- (1) The States are the only stakeholders that are charged broadly with representing the public interest. All other stakeholders at the SSC will be representing their individual interests. In contrast, the States will be seeking input from a variety of stakeholders before rendering their own opinions at the SSC, and therefore provide a unique and more comprehensive position.

- (2) The States are the only stakeholder with the rights and responsibility to issue certificates of public necessity and convenience for proposed transmission projects that may arise from this process.
- (3) The States are the stakeholders responsible primarily for siting any transmission projects that might grow out of this process. Ultimately, States will decide if the transmission infrastructure identified by the EIPC process will become reality.
- (4) The States are the only stakeholders that have primary jurisdiction over the development of generation in their states. Indeed, the Federal Power Act, as confirmed by the U.S. Supreme Court, reserves decisions about the development of generation to the States. This is particularly important given that this interconnection-wide study has primarily been prompted by an expected dramatic change in the generation portfolios within each State.
- (5) The States are the only stakeholders responsible for setting the retail electric rates within their borders, which may include such things as buy-back rates for electricity generated by distributed renewable generation.
- (6) The States are the only stakeholders that have the authority to mandate state-specific renewable portfolio standards that may or may not include in-state generation requirements. The RPSs are one of the primary reasons that this interconnection-wide planning effort is needed at this time.
- (7) The States are the only stakeholders that have the power to place or lift nuclear moratoriums within their borders.
- (8) The States are the only stakeholders responsible for economic development within their borders, which directly affects future demand for electricity.
- (9) The States are the only stakeholders who have the authority to require energy efficiency and demand response within their borders. Energy efficiency and demand response are one of the assumptions in the modeling that will be conducted.
- (10) The States are the only stakeholders who have the authority to designate renewable energy zones within their borders.
- (11) The States are the only stakeholder group that has received \$14 million to attempt to achieve a consensus in defining the modeling inputs and assumptions for EIPC.
- (12) The States are the only stakeholder likely to sponsor separate input opportunities with other stakeholders. Unlike other stakeholders, the States will be receiving input from all SSC stakeholders outside of the SSC process and this input will assist in the States decision making in both Topic A and Topic B activities.

RAMIFICATIONS OF THE STATES NOT RECEIVING 51% OF THE SEATS ON THE SSC.

The overwhelming participation at its kickoff meeting demonstrates that EISPC members are committed to take a leadership role in this interconnection-wide study process. The States view this as a tremendous opportunity not only to work together in the study process, but also to gather information that could be used to expedite and illuminate their decisions on generation and transmission in their states.

Should EISPC hold less than 51% of the seats on the SSC:²

- The information policymakers need for future decision-making on generation and transmission may not be produced by Topic A. In other words, there will be no guarantee that one of the primary objectives of awarding the States \$14 million will be achieved;
- The States' willingness to participate in Topic B may be diminished. The tasks under Topic B will be labor-intensive. It will require significant investment of policymaker time and may be contentious at times. Some EISPC members may ask: why should I leave my family for numerous out-of-town meetings, take on significant new work and engage in difficult negotiations when the results may never be used in a meaningful way?

During this formation process, some have argued that the States do not need such guarantees because SSC would be foolhardy not to model what the States want. Unfortunately, the States know all too well from their experience with regional planning stakeholder processes that the State policymakers' optimal choices are not aligned with the majority of stakeholders. Indeed, it is our experience in these other stakeholder processes that has led EISPC to demand 51% of the seats on the SSC.

It has also been argued that a veto option will provide effective leadership opportunities for the states. States have identified a concern that a veto option will place States in the position of having to defeat options brought forward by other stakeholders rather than taking a leadership position in defining those options.³ To ensure an efficient use of limited time and other resources, and to recognize fully the unique role that the FOA directs States to play in this process, the SSC process must be established to put States a proactive position. States having 51% of the seats on the SSC will ensure this position.

CONCLUSION

EISPC appreciates EIPC's engagement on this important structural issue and your continued willingness to discuss a solution that will best serve the purposes of the interconnection planning process. It is in DOE and EIPC's interest to have the States'

² Or some other guarantee such as the States being able to control one half of the modeling runs and studies conducted by EIPC.

³ While the States find any type of veto option problematic, the EIPC proposal is particularly problematic because it apparently limits the States' veto option to the selection of the final transmission build-outs, not to any of EIPC's work conducted prior to that time.

confidence in the resulting engineering and studies so that the substantial investment in the plan development will provide a foundation for implementable transmission infrastructure. To that end we reiterate our specific recommendation that the States hold 51% of the seats on the SSC.

We look forward to coming to a quick and effective resolution in order to engage most effectively in this historic interconnection-wide planning opportunity. Please feel free to contact Lauren Azar at 608-266-1246 or Doug Nazarian at 410-767-8073 if you have any questions or would like to discuss this further.