RENEW Northeast

Clarifying EDC Funding of Cluster Enabling Transmission Upgrade

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NEPOOL Transmission Committee

RENEW Northeast

About RENEW

An association of the renewable energy industry and environmental advocates united to promote renewable energy in New England and New York. The comments expressed herein represent the views of RENEW and not necessarily those of any particular member of RENEW.

AWEA American Wind Energy Association
Anbaric Transmission
Apex Clean Energy
Avangrid Renewables
BNE Energy Inc. Producer of green clean energy
Brookfield
Calpine NYSE CPN
Cianbro
clf conservation law foundation
Deepwater Wind
DONG energy
EDF renewable energy
edp renewables powered by nature
everpower™
Gamesa
GE Power & Water Renewable Energy
NextEra Energy
OffshoreMW
Patriot Renewables
Pattern
Ranger Solar
Reed & Reed Est. 1928
Repsol
res powering change
Sierra Club
SunEast Power
SunEdison
S.W.E.B
Union of Concerned Scientists Science for a healthy planet and safer world
Vestas

EDC Opt-In Proposal

Overview of RENEW Proposal

- The Electric Distribution Companies (EDCs) in consultation with state energy regulators would have the option in the Tariff to support funding a portion- or all- of the CETU upgrades if those upgrades further public policy requirements (e.g., multistate RFP for clean energy).

- Those CETU upgrades that are selected for ratepayer funding by EDCs should be subject to competition.

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EDC Opt-In Proposal

- EDCs in consultation with state energy regulators are given the ability to review the CRPS results and determine whether any of the identified upgrades are needed to further state public policy goals. After review of the CRPS, EDCs would have the option to support funding a portion- or all- of the CETU upgrades if those upgrades further public policy requirements in their states.

- Like the tristate RFP bid category “Qualified Clean Energy and/or RECs via PPA with a Transmission Project under FERC Tariff,” the RENEW proposal involves an arrangement between EDCs and an Incumbent Transmission Owner or non-incumbent developer to fund Network Upgrades.

- The PPA/Transmission model required FERC approval of the Network Upgrades *after* PPAs had been awarded. By contrast, the RENEW proposal seeks to provide certainty on the viability of this funding approach by having the concept placed into the Tariff. It would become a standing option, pre-approved by FERC, to further state policy goals.

Competition

- The current ISO proposal for selecting whether the incumbent Transmission Owner or a non-incumbent developer builds a CETU is that if all interconnection customers requiring the CETU indicate that they want an ETU to be built in the place of the CETU then it would be selected. Otherwise the incumbent would build the CETU.

- Those CETU upgrades that are selected for ratepayer funding by EDCs in consultation with state regulators should be subject to competition through a state RFP for clean energy or by the ISO as part of the cluster process. Either an Incumbent Transmission Owner or one or more non-incumbent transmission developers could compete to build the ETU/CETU with cost recovery from load in participating states.

- ETU/CETU proposals could contain significant and effective cost containment requirements that protect consumers from cost overruns and other risks.

Process for EDC Opt-In

- The ISO identifies the upgrades that are needed and selects the solution in the CRPS. Upgrades are built if either the Interconnection Customers in the cluster agree to pay for it or the EDCs agree to step into the shoes of those generators to pay for it to satisfy the state policy goals.
  - FERC has previously allowed for a similar "state agreement" approach for New England and PJM to fund transmission upgrades.

- Under an EDC-funded CETU, the project-specific cost allocation methodology identified by the opting-in states will be filed for FERC approval by the applicable participating transmission owners in accordance with the Transmission Operating Agreement or, where appropriate, by an Elective Transmission Upgrade project sponsor.

- The RENEW proposal does not require a state or its EDCs to provide any security deposits required of cluster members as part of the cluster study process. The interconnection customers would continue to be responsible for these deposits.

Benefits

If EDCs opted into the ratepayer funding as described in this RENEW proposal, it would appropriately keep interconnection upgrade costs out of state-mandated energy contracts furthering other goals:

(1) Allows the capitalized CETU to be amortized and depreciated over its long useful life instead of consumers paying for the cost of the CETU over a shorter time period defined by the term of a generator PPA;

(2) Reduces the risk of the winning bidders ultimately forfeiting their PPAs due to altered CETU cost allocation if not all members of the cluster receive PPAs through an RFP;

(3) Follows FERC policy established in Order No. 888 of unbundling interconnection and transmission costs from energy costs in wholesale contracts;

(4) Sends better “price signals” reflecting the cost of energy and transmission to developers in the future;

Benefits

(5) All developers in state RFPs are judged on a level playing field. Varied developer estimates, due to contingencies and risk premiums, for its share of major interconnection upgrade costs would not be a factor, or would at least be mitigated, while still allowing states to consider the total upgrade costs that would come with selection of certain generators in their overall bid evaluation; and

(6) EDC funding recognizes that generators paying for these upgrades cannot capture in their bids the market efficiencies from lower wholesale energy prices that will result from their injection of low marginal cost fuel-free energy or the reduced system congestion resulting from the CETU.

Questions?

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