



Eversource and National Grid

Docket No. RP 16-618-000

AGT Capacity Release Tariff Proposal

FERC Technical Conference

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Regional Efforts to Solve Energy Issues



NEW ENGLAND GOVERNORS' COMMITMENT TO REGIONAL COOPERATION ON ENERGY INFRASTRUCTURE ISSUES

December 2013 Letter: "We have directed our appropriate staff to work together with NESCOE to ensure that we are taking all necessary steps to meet our common needs and goals. Our commitment to work together on energy infrastructure issues will be informed by recent regional energy infrastructure studies conducted by the States, ISO-New England, and other regional organizations. We believe that by working together we can expand economic development, promote job growth, improve the competitiveness of our industries, enhance system reliability, and protect and increase the quality of life of our citizens. Expanding our existing efforts will ensure that we are on a course toward a transformed energy, environment, and economic future for our region that offers a model for the nation."

- **2013-14 - New England States Committee on Electricity (NESCOE) – Led regional stakeholders through a Focus Group on Gas-Electric Issues**
- **April 22, 2014 – Eversource, National Grid and AVANGRID (UIL) proposed to secure natural gas infrastructure to support power generation**
- **Over the next two years, the New England states passed legislation or conducted proceedings to further this process**

Joint RFP Issued By Eversource and NGrid

- **Eversource and NGrid issued an RFP on 10/23/15**
 - RFP for gas infrastructure to increase reliability, reduce high cost and volatility
 - Threshold requirements from Bidders included:
 - Regional scale
 - Incremental firm gas infrastructure
 - Primary firm delivery to ISO-NE power plants
 - RFP responses received on 11/13/15 for 20 resource alternatives
- **Access Northeast (ANE) Project selected by Eversource and NGrid**
 - Net customer benefits of circa \$1 billion per year
 - Pipeline and LNG service at 900,000 DTH/d
 - Access to most power plants
 - Flexibility with no notice service, local LNG, strong liquidity
- **ANE Precedent Agreement Filing with State Regulators**
 - Eversource filed with MA and NH
 - National Grid filed with MA, June filing in RI

New England States Addressing Gas Capacity Issues

Electric Distribution Co. (EDC) Purchase of Natural Gas Pipeline Capacity

CT	Public Act 15-107 enacted June 22, 2015. Draft RFP issued on March 9 with schedule that included selection of gas projects this summer and submission to PURA by October. Expect final RFP shortly in-line with decision late this year or early 2017.
MA	Order of October 2, 2015 found the DPU had authority to approve EDC natural gas supply contracts. NSTAR, WMECO, Massachusetts Electric and Nantucket Electric have filed Access Northeast contracts with the DPU seeking approval by October 1, 2016. Discovery is under way and hearings will be held this summer. Decision on DPU authority is pending on Appeal at State Supreme Judicial Court.
NH	PUC opened docket in April 2015 (IR 15-124). Staff report released September 15, 2015 concluded PUC may approve EDC natural gas supply contracts. NHPUC issued an order January 19 accepting staff report, said it will conduct a two-part review process as EDCs submit natural gas capacity contracts. Eversource New Hampshire filed Access Northeast contract on February 18 and first part of proceeding to review legal authority of PUC to approve EDC natural gas supply contracts is under way.
ME	PUC launched RFP in late 2014 and Access Northeast is participating. Hearings are currently under way and decision is expected early fall.
RI	Affordable Clean Energy Security Act, R.I.G.L. §39-31 includes provisions authorizing the EDC, “subject to the review and approval of the Public Utilities Commission, to enter into long-term contracts for natural-gas pipeline infrastructure and capacity that are commercially reasonable and advance the purposes of this chapter at levels beyond those commitments necessary to serve local gas distribution customers” National Grid issued an RFP with bids received November 13, 2015. National Grid decision expected by early summer 2016. PUC required to act on contracts within 120 days of submittal.
VT	Supportive of additional natural gas infrastructure. Level of support and participation to be determined.

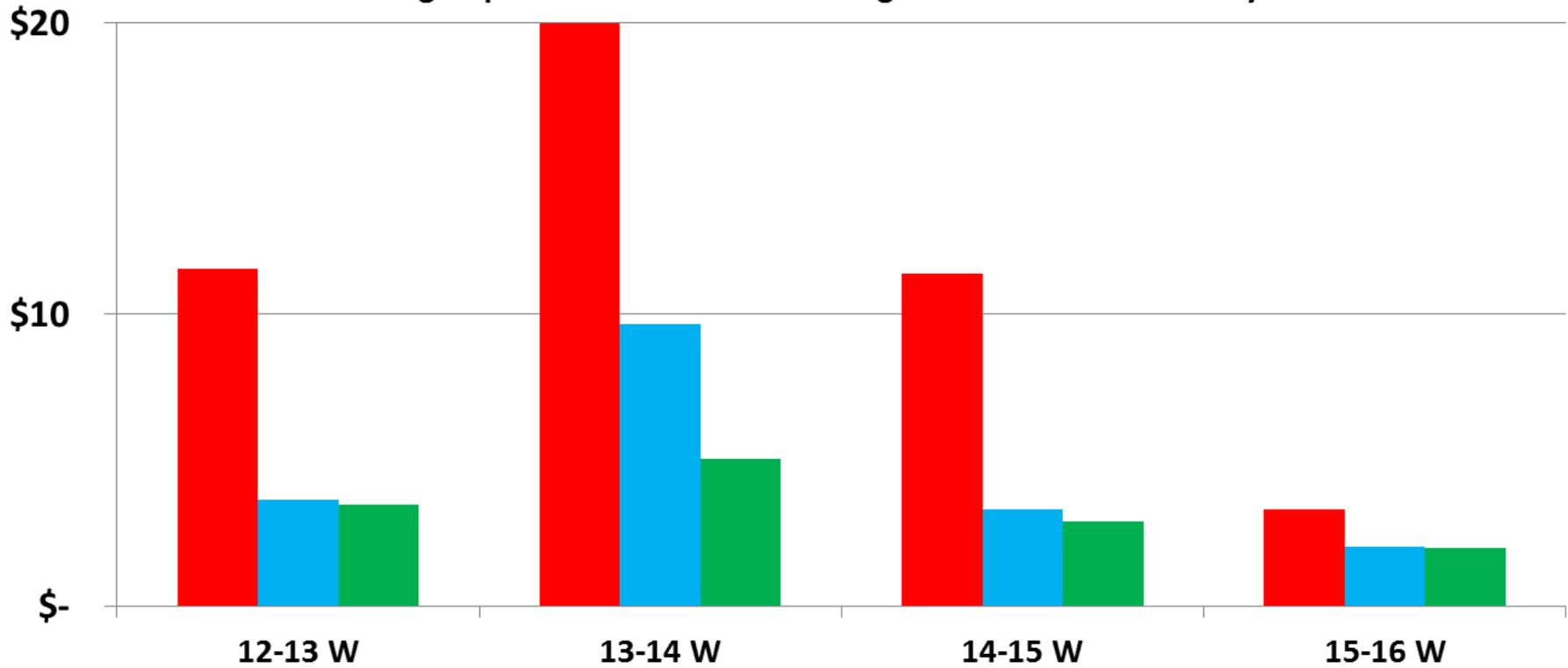
New England Market Volatility Exists In Spite of Extreme Warm Weather in 2015/2016

Average Daily NG Prices (Dec-Mar) - (Source: *Platts* - \$/MMbtu)

■ Algonquin CG

■ Chicago CG

■ Henry Hub



EDD %
(Actual -
30YR AVG)

-5%

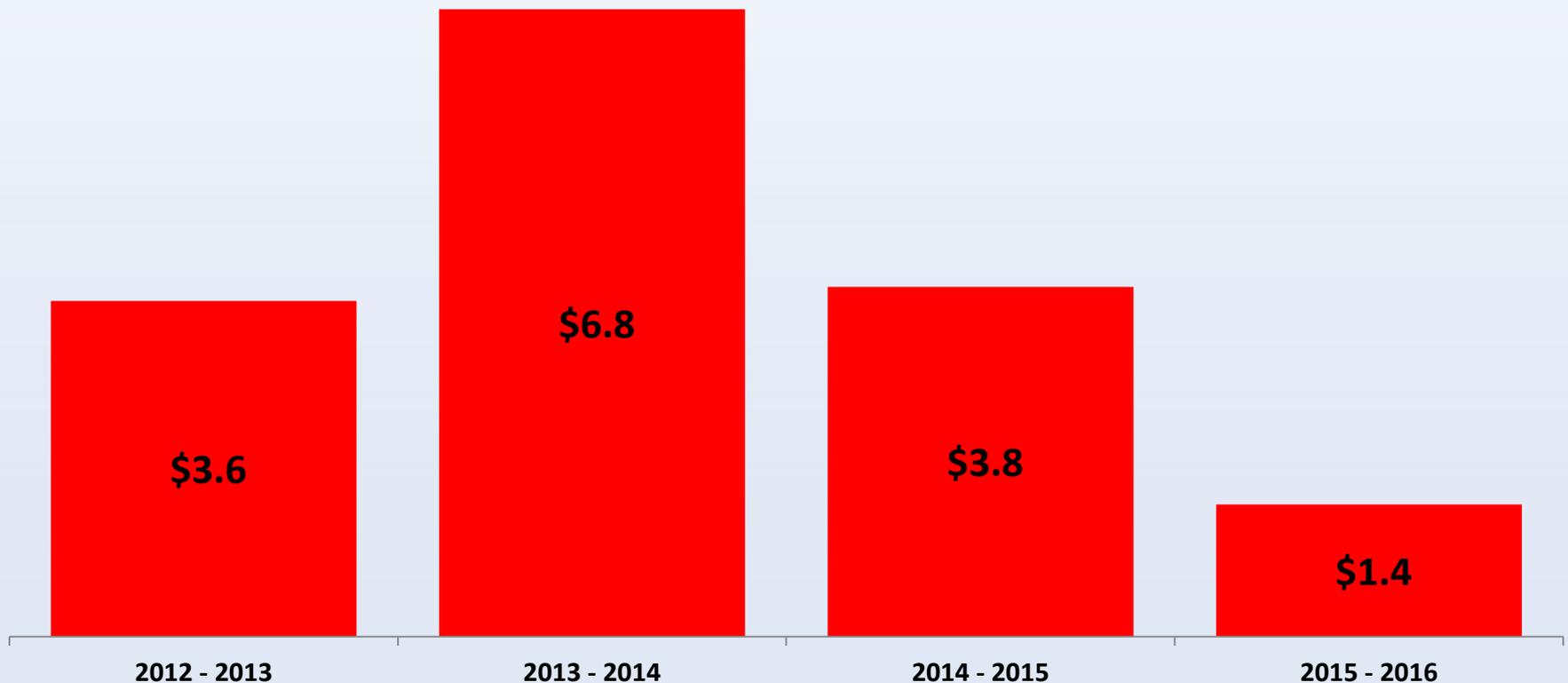
10%

11%

-17%

EDC Customers Continue to Bear the Cost of Market Volatility

Winter Season Wholesale Electricity Costs
December - March
(\$Billions, ISO-NE Region)



Eversource and National Grid

Study Results

- National Grid and Eversource retained third party independent entities to calculate the cost savings benefits to New England electric customers
 - Eversource retained ICF
 - National Grid retained Black & Veatch
- Both studies determined ANE will generate significant savings and increased reliability to New England customers
- Under normal weather conditions both studies calculated net benefits to New England electric customers in excess of \$1 billion/year
 - In addition ICF calculated net savings of \$2.6 billion in a design year/nuclear outage scenario

Proposed Targeted Release of this Capacity is Important for Electric Reliability

- Ensures the additional natural gas pipeline capacity is first available to serve the purpose for which it is to be procured
 - to meet the requirements of New England electric markets producing the electricity required by EDC customers
- Ensures adequate deliverability of fuel to gas-fired generators to address electric reliability concerns
- Reduces price and volatility concerns for electric customers
- Exemption only available under state approved Electric Reliability Service Programs
- When not required to generate electricity, the capacity will be made available to remaining market participants under existing capacity release rules

Addressing Concerns Raised in the Protests and Comments Regarding Algonquin's Proposal

Concern: “the removal of 0.9 Bcf/day of pipeline capacity from the secondary market almost certainly would distort pricing for the capacity that remains available in the traditional capacity release market, artificially driving up the cost for that remaining capacity.” (Joint Protest of Calpine, Dynegy, and PSEG)

Response: The capacity at issue here is additional pipeline capacity, over and above the existing available pipeline capacity. Thus, even with the limited exemption requested here, the end result can only be a potential addition of pipeline capacity to, not a removal from, the secondary market

Addressing Concerns Raised in the Protests and Comments Regarding Algonquin's Proposal

Concern: “Algonquin’s proposed capacity release exemption is part of a larger effort to artificially lower the price of gas transportation service paid by generators with the avowed intent, in turn, to artificially suppress wholesale electricity prices in New England.” (Joint Protest of Calpine, Dynegy, and PSEG)

Response: The capacity release proposal is one element of a larger initiative to address significant electric reliability concerns in the region. Additional pipeline infrastructure will also address the extremely high wholesale electricity market prices in New England resulting at times from nothing more than inadequate natural gas transportation infrastructure serving the region.

Addressing Concerns Raised in the Protests and Comments Regarding Algonquin's Proposal

Concern: “The February 19 Filing results in undue discrimination between gas-fired generators on Algonquin ... and gas-fired generators who are connected to other pipelines ... potentially creating haves and have-nots.” (Joint Protest of Exelon and NextEra)

Response: First, the capacity proposed to be released to carry out the electric distribution company's obligations under the state-regulated electric reliability program will be available to all gas-fired generators in the region.

While certain generators may have a greater ability than others to utilize and benefit from the released capacity due to their particular circumstances, such as the locations chosen for their investments, this is an understandable result of any infrastructure improvement to an existing system, not a result or indication of undue discrimination.

Such a result is no more an indication of undue discrimination than the result of a decision to move forward with an electric transmission infrastructure upgrade of the existing bulk power system required for regional reliability and/or economic benefits; although, at least in the short-term, some generators, due to their locations, will benefit more than others from the resulting relieved transmission constraint/increased transmission transfer capacity, the result is certainly not a result of undue discrimination.

Addressing Concerns Raised in the Protests and Comments Regarding Algonquin's Proposal

Concern: “Algonquin’s proposed tariff language further places restrictions on the ability of a generator that obtains releases of capacity from an EDC to serve the wholesale electric market outside of the EDC. The capacity release restriction ... could be perceived to limit a generator that acquires preferential capacity to only selling ... to “the market serving the electric distribution company” —i.e., a sub-market within ISO New England, such as the service territory of the releasing EDC. This restriction could balkanize wholesale sales by generators who receive subsidized preferential releases.” (Joint Protest of Exelon and NextEra)

Response: The “market serving the electric distribution company” is considered by the EDCs to be the entire ISO-New England Market. Thus, it is entirely incorrect to perceive the proposed exemption to limit a generator acquiring the capacity to only selling energy to a sub-market within ISO-New England

Addressing Concerns Raised in the Protests and Comments Regarding Algonquin's Proposal

Concern: “Algonquin’s proposal would insulate electric generators from the true price of interstate pipeline capacity. This is effectively a subsidy to electric generation. The Commission has stated that it does not favor one type of electric generation over others and avoids undue preference among generation options. Algonquin provides no policy justification whatsoever as to why the Commission should subsidize one form of electric generation over another.” (Protest of Indicated Shippers; The Indicated Shippers are ConocoPhillips Company and Direct Energy Business Marketing, LLC.)

Response: All generators are insulated to a great extent, in one way or another, from the true price of the infrastructure built and supported by others to assure the reliable and economical deliverability of their required fuel. Coal-fired and oil-fired generators that must receive their fuels by ships depend on adequate water transportation and marine port infrastructure; of course, public funds are largely used to build and maintain this infrastructure, whether in establishing navigational channels, dredging harbors, or modernizing ports and their associated intermodal facilities.

Likewise, many generators rely on and benefit from the publicly funded surface transportation infrastructure such as the interstate highways, bridges, and local roads used by the trucks supplying the required fuel to their plants; similarly, generators dependent on imported LNG as a fuel source, as well as their suppliers, rely on and benefit from much of the same publicly funded infrastructure.

With this understanding, it is clear the proposed EDC customer support for the required infrastructure at issue here is not an undue subsidization/preference/favoring of one type of generation over others.

Addressing Concerns Raised in the Protests and Comments Regarding Algonquin's Proposal

Concern: “New England’s fleet of natural gas generators is already enabled by the Winter Reliability Program to acquire alternate fuel, whether LNG or oil, to burn in the event that pipeline capacity releases are limited. Starting in 2018, they will be incentivized to do so by the so-called “Pay for Performance” market adjustments recently implemented by ISO-NE. ... Collectively, these programs ensure system reliability today and on a going forward basis.” (Comments and Protest of Conservation Law Foundation)

Response: The best evidence that the programs referenced above, while helpful, do not “ensure system reliability today and on a going forward basis” is provided by the following statement from the CEO of ISO-New England from his State of the Grid: 2016 Remarks:

“The fundamental challenges facing the New England power system remain the same, and the ISO’s perspective has not changed. The New England power system continues to be in a precarious position during extended periods of extreme cold. The region will continue to be in this position until the New England’s natural gas infrastructure is expanded to meet the demand for gas.”

Similarities with Existing Retail Choice and Targeted Capacity Release

Existing State Retail Access Release

- Capacity acquired by LDCs to meet firm gas sales requirements
- Demand charges recovered from all firm sales customers
- Release exemption if associated with state approved retail access program
- Retail marketers required to use capacity to meet firm sales customers requirements

Proposed AGT Tariff

- Capacity acquired by EDCs to meet requirements of the electric markets serving their customers
- Demand charges recovered from all EDC customers
- Release exemption if associated with proposed state Electric Reliability Service Program (ERSP)
- Generators required to use capacity to produce energy if dispatched by NE ISO

Conclusion

- AGT tariff amendment is for a targeted release of capacity to power generation in New England
- Paid for by New England retail electric customers who will be the beneficiaries
- Pursuant to state approved programs to ensure reliability and lower volatility for electric customers.
- FERC approval of the proposed AGT tariff amendment is a just and reasonable response to a long standing and critical infrastructure need