

NEW ENGLAND LDC GROUP PERSPECTIVE
ALGONQUIN GAS TRANSMISSION'S TARIFF FILING
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OVERVIEW

- The New England LDCs support the concept underlying Algonquin's proposed exemption from the capacity release posting and bidding requirements
- New England's infrastructure and electric market regularly experience constrained capacity.
- These circumstances pose risks to electric and gas system reliability in the region
- The New England LDCs have long been concerned about these reliability risks and have consistently supported efforts to address them through enhancements to pipeline infrastructure
- Section 14.16 arises from ongoing efforts that could help to address pipeline infrastructure needs in New England

NEW ENGLAND LDC FOCUS

- Reliability for firm residential and commercial natural gas customers
- Develop and manage portfolios of primary firm transportation, storage and on-site peaking capability (about 1/3rd of peak day in the region)
- Manage gas portfolios in an environment of almost constant pipeline “restrictions” and increasing instances of “emergent repairs,” “unplanned maintenance” and “force majeure”
- Long term focus, including contracting for new firm capacity in order to meet load growth in a reliable manner

NEW ENGLAND LDCS' VIEW

- NE-ISO market design has not resulted in generators contracting for firm pipeline capacity nor participating in any recent expansions
- Market participants rely on almost exclusively on the secondary market for pipeline capacity, which exposes the system, and electric customers, to cost and reliability risks
- Although the risks associated with reliance on the secondary market were identified in 2004, the region has made limited progress in its efforts to address those risks
- Industry stakeholders participated in numerous meetings and task forces, but have been unable to address the “funding logjam” that, if addressed, may have resulted in added gas capacity for generation

AN EMERGING POTENTIAL ALTERNATIVE

- Issues regarding the use of secondary pipeline capacity, along with the increased use of gas-fired generation in New England, led to in-depth consideration of the EDC contracting model
- New England state regulators have yet to adopt the EDC model or any “state reliability program”; related state proceedings are hotly contested

AN EMERGING POTENTIAL ALTERNATIVE (CONT'D)

- Algonquin's proposed Section 14.16 would assist the functioning of the EDC model
- In order to adequately address the regional pipeline infrastructure issue, other pipelines directly serving the region may need to adopt proposals similar to Section 14.16
- Section 14.16 would assist in guaranteeing that pipeline capacity constructed for the electric generation market pursuant to the EDC funding mechanism would be used for that purpose

BENEFITS OF SECTION 14.16

- New England's overall goal is to preserve and enhance reliability of service provided to all electric and gas customers, and Section 14.16 is a step in the right direction
- Algonquin's Section 14.16 concept will support the construction of needed pipeline capacity for electric generation and help to ensure that this new capacity is used for that purpose
- The concept is similar to the manner in which LDCs currently use primary, long-term pipeline capacity to serve high-priority retail customers; when that capacity is not needed to serve retail load, LDCs release it on a short-term basis in order to minimize the costs ultimately borne by retail customers