

**UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION**

Preventing Undue Discrimination and
Preference in Transmission Service

Docket Nos. RM05-17-000
RM05-25-000

ORDER 890 TECHNICAL CONFERENCE COMMENTS OF CONSUMER ADVOCATES
October 16, 2007

Good morning. My name is Paul Peterson of Synapse Energy Economics, Inc. I am providing these comments on behalf of three New England consumer advocate agencies: the Connecticut Office of Consumer Counsel, the Massachusetts Office of the Attorney General, and the New Hampshire Office of Consumer Advocate. We are the state agencies charged with representing over 11 million (combined) electricity consumers in our states. Our consumers pay for the system enhancements that are recommended by the regional planning process. We three consumer advocate agencies have participated in NEPOOL and ISO New England proceedings over the last half-dozen years, as well as numerous Commission dockets and proceedings related to regional transmission organizations and wholesale markets. Our comments today focus on the Commission's Order 890 as it relates to the transmission planning process. In particular, we provide comments on ISO New England's Attachment K to its Open Access Transmission Tariff ("OATT"). We appreciate the opportunity that the Commission has given us to share our views.

We have participated in the ISO New England transmission planning process since 2001. At that time, the committee process was called the "Transmission Expansion Advisory Committee" ("TEAC") and the annual document approved by the ISO Board was known as the "Regional Transmission Expansion Plan" ("RTEP"). We were among the first people to point out that a comprehensive planning process for the New England region should consider all options that could meet the needs of the regional bulk power system and not focus exclusively on transmission upgrades. Over time, ISO New England endorsed this concept and demonstrated its commitment to a comprehensive review of all options by changing the name of the committee process to the "Planning Advisory Committee" ("PAC") and the name of the annual report to the "Regional System Plan" ("RSP") in 2005.

Our comments today focus on ways that this commitment to "system planning" as opposed to "transmission planning" can be enhanced.

Today, ISO New England develops its RSP Project List of specific transmission upgrades through an iterative process as reflected in each year's RSP. On an annual basis, ISO New England incorporates new information on loads, resources, and transmission facilities and evaluates system performance over a five-year to ten-year horizon (Sec. 3.1). This evaluation of system performance identifies potential problems based on considerations of reliability criteria and economic efficiency. Through the PAC process, or on its own initiative, ISO New England will conduct Needs Assessments to

determine how a Reliability Transmission Upgrade or a Market Efficiency Transmission Upgrade may resolve a particular problem with the regional bulk power system (Sec. 4.1). Once completed, ISO New England reviews the Needs Assessments with the PAC, posts them on its website (subject to confidentiality and security restrictions), and presents them in various regional stakeholder meetings.

As described in Attachment K, the next step in the process involves an evaluation of proposed solutions (Sec. 4.2). Under “Market Solutions,” ISO New England will consider the adequacy of proposed market responses to problems identified in the Needs Assessment. These market responses may include demand resources, generation resources, and merchant transmission projects (Sec 4.2.a). Under “Regulated Transmission Solutions,” ISO New England will conduct or participate in studies to assess the adequacy of a transmission upgrade to address a particular system problem. In addition, ISO New England may form targeted study groups to conduct “Solution Studies” of regulated transmission solutions (Sec. 4.2.b). Through these Solution Studies, ISO New England “may identify the most cost-effective and reliable solution(s) for the region.”

Our concern is that as described in Attachment K, the Solutions Studies approach is available only for regulated transmission studies. There is no comparable study process for other solutions, including demand resource solutions. We question whether the Solution Studies will be able to identify the “most cost-effective and reliable solution(s)” if options other than regulated transmission solutions are not considered in an integrated study. In our discussions with ISO New England on this exact issue, we have been told that they draw a bright line between market solutions and regulated transmission solutions. Our understanding is that ISO New England will look to see what market solutions have been proposed, but will not study those proposals or include them as alternatives in Solution Studies. This approach fails to provide “comparable treatment” for various potential solutions to Needs Assessment issues; instead it establishes a preference for regulated transmission solutions

We are asking the Commission to consider two actions to make the study of alternatives to regulated transmission solutions an explicit requirement of the planning process.

First, it would be helpful if the Commission can include in subsequent Orders in these proceedings language that emphasizes the responsibility of transmission service providers to evaluate a broad range of options for solving identified system needs. ISO New England believes it has gone as far as it can go in considering demand resources in its RSP process. We would like the Commission to instruct ISO New England and other transmission service providers that they can do more. We would also like the Commission to require that the Local System Planning Process include a comprehensive and thorough evaluation of all options (transmission and non-transmission) that may solve local needs assessments.

Second, we would like the Commission to require ISO New England to modify Attachment K to provide a comparable option for “solution studies” for proposals other than regulated transmission solutions. This might mean incorporating other proposals such as demand resources, supply resources, and merchant transmission projects in the Solution Studies already specified in Attachment K, or it may mean conducting parallel studies. To

the extent that regulated transmission options are reviewed at a conceptual level (absent a specific proposal), other options should receive a comparable review. This more encompassing approach to “solution studies” should be available for both reliability and economic proposals.

On a separate issue, we note that Section 1 of Attachment K twice mentions that the RSP shall be developed to account for “market performance, economic and environmental considerations”. A similar phrase is used in Section 3.1 when describing the RSP and the RSP Report. However, there are few details that describe how “environmental considerations” will be identified and evaluated. We think there are two useful points that can be made.

First, each resource choice has environmental impacts that are associated with that resource. An evaluation of the environmental impacts of a proposed solution to a Needs Assessment seems like a logical and necessary requirement for a comprehensive system planning process. This is particularly true as states adopt policies and targets for overall carbon reductions, such as the Regional Greenhouse Gas Initiative (RGGI) that has been endorsed by all six New England states.

Second, all six New England states have some form of a renewable portfolio standard requirement that is intended to encourage the development of renewable energy resources. The development of renewable resources will require a transmission system that is robust enough to accommodate an increase in supply resources, with the likelihood that some, if not a majority, of these resources will be in remote locations (e.g. wind and wood waste). Some analysis and evaluation of where renewable resources are being developed and the infrastructure necessary to allow them to access the bulk power system seems appropriate and consistent with the region’s efforts to diversify its resource portfolio.

ISO New England has been a leader in developing a comprehensive and robust process for analyzing the bulk power system and evaluating regulated transmission options. We believe that with appropriate Commission guidance, the RSP process for New England can be further improved to include an evaluation of a wider range of options that may address specific bulk power system needs in the most cost-effective, reliable, and environmentally appropriate manner.

Thank you again for the opportunity to share with you the perspectives of three New England consumer advocate agencies.