Before Commissioners: Jon Wellinghoff, Chairman; Philip D. Moeller, John R. Norris, and Cheryl A. LaFleur.

National Grid Transmission Services Corporation Docket No. EL11-49-000

and

Bangor Hydro Electric Company

ORDER GRANTING PETITION FOR DECLARATORY ORDER

(Issued May 17, 2012)

1. On July 11, 2011, pursuant to Rule 207 of the Commission’s Rules of Practice and Procedure,1 National Grid Transmission Services Corporation (National Grid) and Bangor Hydro Electric Company (Bangor Hydro) (collectively, the NEL Parties) filed a petition for a declaratory order (Petition) seeking a Commission determination that a proposal, under which First Wind Holdings Inc. (First Wind) will fund the construction of a high voltage direct current (HVDC) transmission line in return for priority rights to the line’s capacity, is consistent with the Commission’s open access requirements. We grant the Petition to the limited extent discussed below.

I. The Petition

2. The NEL Parties state that they are currently developing the Northeast Energy Link (NEL), a predominantly underground, approximately 1,100 MW HVDC transmission line, that will extend approximately 230 miles from Orrington, Maine, to Tewksbury, Massachusetts with completion anticipated by the 2016-17 Power Year. They state that the primary purpose of the NEL is to deliver renewable generation to New England load centers to satisfy state renewable portfolio standard goals and to meet carbon reduction requirements over the next three years. The NEL Parties state that the NEL will be a cost-based participant-funded project, and they intend to place the line under the operational control of ISO New England Inc. (ISO-NE).

3. The NEL Parties assert that in March 2011, after the NEL Parties engaged in extensive outreach to gauge potential interest in NEL participation, First Wind requested access to the NEL Parties’ transmission systems, in order to market wind from its electric generating facilities in northern Maine to load serving entities in New England. As stated in the Petition, the NEL Parties and First Wind executed a memorandum of understanding (MOU) expressing their intention to enter into a long-term transmission service agreement in which the NEL Parties would provide long-term capacity rights and transmission service on the NEL for First Wind’s energy, in the amount of the full transfer capability of the line. The MOU provides that First Wind will pay an agreed-upon cost-of-service formula rate for transmission services incorporating a reasonable rate of return and such incentives as are approved by the Commission.\(^2\) Specifically, the MOU states that (1) First Wind will pay a negotiated rate for transmission services based on the NEL Parties’ cost of constructing, owning, operating, and maintaining the NEL;\(^3\) (2) First Wind will contract for the full transfer capability of the NEL; (3) First Wind’s obligations will be conditioned upon First Wind entering into power purchase agreements for its wind capacity; (4) if, and to the extent that, First Wind does not contract for the full transfer capability of the NEL, the NEL Parties will offer other parties the opportunity to become participants in the NEL on non-discriminatory terms consistent with Commission policy; and (5) any capacity available above that scheduled by First Wind will be made available to ISO-NE under its open access transmission tariff (Tariff) on rates and other terms that are not unduly discriminatory or preferential.

4. As stated in the Petition, the NEL Parties seek a Commission determination that the proposal “under which the NEL Parties will sell First Wind up to 1,100 MW of transmission service over [the NEL], in order that First Wind may deliver energy to purchasers in New England, is consistent with the Commission’s requirements regarding participant-funded transmission lines, most particularly as described in Northeast Utilities Service Co. and NSTAR Electric Co. (NU/NSTAR).”\(^4\) The NEL Parties assert that the NEL proposal is substantially similar to the proposal previously approved by the Commission in NU/NSTAR except in three respects: (1) First Wind and Bangor Hydro’s parent company, Emera, Inc. (Emera), have announced a joint venture, along with Algonquin Power and Utilities Corp., to build, own and operate wind generation in the Northeast; (2) the NEL Parties do not intend to include a coordinated power purchase agreement such as that contemplated in NU/NSTAR, but the NEL Parties and their affiliates reserve the right to purchase energy from any NEL participant; and (3) the NEL

\(^2\) Petition at 12.

\(^3\) Id. at 12.

\(^4\) Id. at 1 (citing NU/NSTAR, 127 FERC ¶ 61,179, order denying reh’g. and clarification, 129 FERC ¶ 61,279 (2009)).
line lies wholly within the New England control area connecting to the ISO-NE grid at both ends, while the NU/NSTAR project connected to the Canadian transmission system.5

5. The NEL Parties state that, as in NU/NSTAR, the NEL Parties will develop, construct, finance and own the line, and the NEL Parties, NEL Participants, and any credit guarantors of those parties will bear all financial risks. According to the NEL Parties, no portion of the cost will be borne before, during or after construction by any transmission customers, other than the NEL Participants that agree to support the costs of the NEL. The NEL Parties further state that, as in NU/NSTAR, the NEL Parties will seek reliability approval under section I.3.9 of ISO-NE’s Tariff to ensure that the NEL will not adversely impact reliability of the ISO-NE grid.6 The NEL Parties also argue that the NEL proposal is like NU/NSTAR because the NEL Parties will “operate in New England in open-access states and their distribution affiliates have no captive commodity customers.”7

6. The NEL Parties further assert that the NEL proposal is consistent with Order No. 888,8 to the extent that the NEL Parties have an obligation under Order No. 888 to expand their systems, if necessary, to satisfy a request for transmission access.9 The

5 Petition at 2, 16-17.

6 Section I.3.9 of the ISO-NE Tariff relates to Proposed Plan Applications from market participants and transmission owners. Within 60 to 90 days of receiving the section I.3.9 application, ISO-NE must respond in writing as to whether the proposed plan will have significant adverse effects on reliability of the transmission owner’s facilities, on another transmission owner’s facilities, or on the system of a market participant. If ISO-NE finds that the proposed plan application will not have adverse effects, the market participant or transmission owner may proceed.

7 Petition at 15.


9 Petition at 19.
NEL Parties assert that, although ISO-NE provides open access transmission service under its Tariff, the NEL Parties remain obligated to accommodate First Wind’s and any other request for access to capacity on their transmission systems. Emphasizing their previous efforts to notify all interested parties of the NEL’s potential transfer capability, the NEL Parties state that First Wind has received no preferential treatment.\textsuperscript{10}

7. Based upon the foregoing, the NEL Parties seek a determination “removing any doubt as to the legality” of the proposal so that they and First Wind may proceed to negotiate the transmission service agreement contemplated in the MOU and pursue financing for the project.\textsuperscript{11}

II. Notice of the Filing and Responsive Pleadings

8. Notice of the filing was published in the Federal Register,\textsuperscript{12} with interventions, and protests due on or before August 15, 2011. The Massachusetts Department of Public Utilities and Maine Public Utilities Commission each filed a notice of intervention. Timely motions to intervene were filed by the New England Conference of Public Utilities Commissioners; New Hampshire Public Utilities Commission; Northern Maine Independent System Administrator, Inc.; Northeast Utilities Service Company; First Wind, LLC; NSTAR Electric Company; Northern Pass Transmission LLC; and Massachusetts Municipal Wholesale Electric Company and New Hampshire Electric Cooperative.

9. ISO-NE and the Industrial Energy Consumer Group (IECG) each filed a timely motion to intervene and protest. The Massachusetts Attorney General (Mass AG) filed a timely motion to intervene and comments. On August 29, 2011, the NEL Parties and First Wind filed answers to the protests.

A. Responsive Pleadings

1. ISO-NE Comments

10. ISO-NE argues that the Petition insufficiently describes the NEL proposal and is unclear as to the type of declaratory relief sought. ISO-NE further asserts that, to the extent the nature of the NEL proposal can be discerned, the proposal is meaningfully distinguishable from \textit{NU/NSTAR} and inconsistent with the Commission-approved arrangements of New England.

\textsuperscript{10} Id. at 20.

\textsuperscript{11} Id. at 2.

11. ISO-NE expresses concern that the Petition seeks a spectrum of declaratory relief, ranging from a broad finding removing any doubt as to the legality of the NEL proposal, to a specific finding that the proposal is consistent with NU/NSTAR. ISO-NE asserts that issuance of such a broad declaratory order would be inappropriate.

12. ISO-NE further argues that the Petition fails to reveal important information relevant to rendering any of the determinations requested, including: (a) who will fund the costs of all the upgrades that are necessary to accommodate the NEL; (b) what dispatch mechanism could be used by ISO-NE to ensure that service over a single line in New England would be considered “firm” and, if re-dispatch is required, who would pay; (c) whether the NEL could ever be utilized for south-to-north service, or to facilitate inter-regional support to New Brunswick; and (d) clarification regarding who is ultimately responsible for offering and administering NEL transmission service – both the NEL Parties and ISO-NE, or just the NEL Parties.

13. ISO-NE further argues that, based on the information that is included in the Petition, the NEL proposal does not seem to fit within the constructs of the Commission-approved Tariff provisions governing ISO-NE’s system planning and reliability review processes. ISO-NE argues that the Commission-approved regional arrangements for New England do not accommodate the type of firm, internal, physical, point-to-point transmission service that the NEL Parties seem to request.\textsuperscript{13} ISO-NE expresses concern that the Petition seeks to bypass Commission review under section 205 or 206 of the Federal Power Act (FPA),\textsuperscript{14} and obtain approval of a dispatch model utilizing firm service, which is incompatible with the security constrained economic dispatch used in New England.

14. ISO-NE also disputes the NEL Parties’ attempt to liken the NEL proposal to NU/NSTAR. ISO-NE states that the NU/NSTAR proposal involved a HVDC line, with a northern terminus located outside of the New England Control Area, and was compatible with the existing dispatch, market and tariff structures of the New England system.\textsuperscript{15} Additionally, ISO-NE states that unlike NU/NSTAR the NEL operations will impact both intra- and interregional interface flows in the New England and New Brunswick systems.

\textsuperscript{13} ISO-NE Comments at 17.


\textsuperscript{15} ISO-NE Comments at 18-19. According to ISO-NE, energy delivered to the southern terminus of the relevant transmission line would be viewed as produced by a generator at that location, and the loss of the line would have no greater ramification for the loading of alternating current (AC) lines internal to the New England Control Area than the outage of a generator actually located at the southern terminus.
15. ISO-NE asserts that the NEL proposal is not comparable to transmission projects internal to New England because service over the internal New England regional transmission system is not offered on a point-to-point basis, or with preferential use by signatories of new bilateral power supply arrangements.\textsuperscript{16} Further, ISO-NE asserts that the introduction of firm or priority physical transmission rights based on reserved capacity would be inconsistent with the design of the New England system, because the NEL construct would require ISO-NE to choose First Wind resources for dispatch in lieu of more economic resources.\textsuperscript{17}

16. ISO-NE also disputes the NEL Parties’ statements that the NEL would be consistent with regional reliability and operational efficiency. ISO-NE asserts that such arguments are premature, because, to date, the NEL has not been studied by the ISO as either an Elective Transmission Upgrade or as part of the section I.3.9 process provided for in its Tariff.\textsuperscript{18} ISO-NE posits that whether some sort of priority transmission service can be administered under the ISO-NE Tariff and accommodated within the existing dispatch and market systems of New England should be matters for ISO-NE, its stakeholders, and the NEL Parties to consider in a collaborative process followed by a filing made with the Commission under section 205, or alternatively under section 206 of the FPA.

2. IECG Protest

17. IECG argues that the Petition fails to adequately explain all of the relevant differences between the NEL proposal and NU/NSTAR, including the nature of the affiliate relationship between First Wind and Emera and potential impacts on non-discriminatory access. To that end, IECG claims that the NEL Parties fail to fully address the potential competitive impacts resulting from the intraregional nature of the line, including whether other suppliers would be adversely affected by any advantage gained by First Wind in accessing transmission. IECG also states that the NEL parties fail to detail the “public outreach” efforts it claims to have undertaken to identify potential customers for the line, and given the affiliate concerns and merchant aspect of the proposal, the Commission should condition any long term contract for the use of the NEL by First Wind or any affiliate of Bangor Hydro on the holding of an open season.

\textsuperscript{16} Id. at 14 (citing ISO-NE Comments in Docket No. EL09-20 at 7-8 (filed January 26, 2009)).

\textsuperscript{17} ISO-NE Comments at 18-19.

\textsuperscript{18} Id. at 23-24.
18. Also according to IECG, other critical information missing from the Petition includes (1) how the capacity and energy from the wind generation in northern Maine would be delivered to Orrington, Maine, and whether such additional facilities would be pool-funded, participant-funded, or funded in some other manner; (2) how First Wind would package its wind energy with other sources and how the sources would be selected for access to the line;19 and (3) how First Wind has the financial capability to guarantee a project as large as the NEL.

3. Mass AG Comments

19. The Mass AG asks that the Commission limit its determination to whether the transaction is consistent with the participant-funded models previously approved by the Commission, with respect to the NEL Parties’ obligations under Order Nos. 888, 889, and 890.20 The Mass AG states that it would be premature for the Commission to rule on whether the rates resulting from the transaction will be just and reasonable, because there are no proposed rates currently before the Commission. The Mass AG further argues that the Commission should not rule on whether the transaction is consistent with regional reliability or operational efficiency, since no stakeholder process or ISO-NE review has been conducted under section I.3.9 of the Tariff.21

B. Answers

1. NEL Parties

20. In response to concerns about the scope of the declaratory relief requested, the NEL Parties state that the Petition is “limited to a single threshold issue – the consistency of the NEL participant-funded model with the Commission’s open access requirements.”22 The NEL Parties state that they are not seeking a determination as to

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19 IECG argues that it appears likely that First Wind and Bangor Hydro would provide access on a negotiated commercial basis, rather than on an open access basis which makes the proposal resemble a merchant line. IECG Protest at 5.


21 Mass AG Comments at 4-5.

22 NEL Parties Answer at 8.
the nature of the priority rights for the NEL and how those rights should be integrated with the ISO-NE system, or any changes to the ISO-NE Tariff or market rules. Acknowledging that ISO-NE’s existing market structure does not accommodate firm physical transmission rights for internal transactions, the NEL Parties state that they intend to work with the stakeholders and ISO-NE to determine the nature of the priority rights that the NEL Participants will receive. The NEL Parties state that if any modifications to ISO-NE’s market rules are required to construct and operate the NEL, those modifications would need to be presented for Commission review in a separate proceeding.23

21. The NEL Parties further state that questions relating to the NEL’s capacity, the NEL’s impact on ISO-NE’s existing AC system, and the NEL’s consistency with regional reliability and operational efficiency are questions that ISO-NE must resolve. The NEL Parties state that they will submit the NEL for review under the Tariff’s section I.3.9 process to ensure that the line will not adversely impact regional reliability. The NEL Parties further state that operational issues regarding the NEL, such as whether the NEL Parties, or both the NEL Parties and ISO-NE, are responsible for offering and administering NEL transmission service, will be resolved by a negotiated transmission operating agreement between ISO-NE and the NEL Parties, rather than by the Petition.

22. The NEL Parties respond to ISO-NE’s and IECG’s cost allocation concerns by acknowledging that they will be responsible for the costs of AC upgrades that are required to safely and reliably interconnect the NEL. The NEL Parties recognize that ISO-NE has Tariff procedures for allocation of other costs associated with interconnections.24 The NEL Parties state that resolution of these issues is not a prerequisite to finding that the NEL proposal is consistent with Commission policy.

23. The NEL Parties argue that there are no unidentified or undisclosed facts that are relevant to the issues raised in the Petition. The NEL Parties state that IECG’s concerns regarding how the capacity and energy will be delivered, its source and the potential amount of wind are irrelevant because the NEL Participants will be responsible for delivering the energy to the NEL.

24. Regarding the affiliate relationships among First Wind, Emera, and Bangor Hydro, the NEL Parties state that Order Nos. 888 and 890 do not prohibit such relationships; rather, the rules prevent any abuse of an affiliate relationship by requiring the transmission owner to make its capacity available on an open, non-preferential basis.

23 Id. at 7.

24 Id. at 9-12.
The NEL Parties state that Bangor Hydro is subject to the Commission’s standards of conduct for transmission providers, which protect against affiliates receiving any preferential treatment with respect to transmission service.\(^{25}\)

25. As to concerns about the financial capability of First Wind to guarantee the NEL, the NEL Parties state that First Wind will have to demonstrate its creditworthiness in a future transmission service agreement and that NEL Parties will assume all financial risk.

2. **First Wind**

26. First Wind argues that the Petition is an important step in the process of the development of renewable resources in New England, and that as a wind generation developer, First Wind requires the ability to obtain the transmission service needed to deliver its renewable power to load centers. First Wind asserts that, while granting the Petition will establish priority rights for First Wind under an appropriate transmission service agreement, the Petition does not seek to define the nature of those priority rights. First Wind states that ISO-NE’s concerns are misplaced, and that First Wind along with the NEL Parties, will work with ISO-NE and stakeholders to determine the appropriate nature of the priority rights and an appropriate mechanism to integrate those rights into the ISO-NE system. First Wind states that none of the issues raised by ISO-NE should prevent the Commission from issuing the declaratory order sought by the NEL Parties.\(^{26}\)

### III. Discussion

A. **Procedural Matters**

27. Pursuant to Rule 214 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2011), the notices of intervention and timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

28. Rule 213(a)(2) of the Commission’s Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2011), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We will accept the answers filed by the NEL Parties and First Wind because they have provided information that assisted us in our decision-making process.

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\(^{25}\) *Id.* at 13.

\(^{26}\) First Wind Answer at 4.
B. Commission Determination

29. We agree with First Wind that the NEL project could facilitate the development of renewable resources in New England and help to meet state renewable portfolio standard goals. As clarified in the NEL Answer, the NEL Petition is limited to a single threshold issue, namely the consistency of the NEL participant-funded model with the Commission’s open access requirements. We find that participant funding in and of itself is not inconsistent with the Commission's open access requirements. On this limited basis, we will grant the NEL Petition.

30. However, NEL Parties acknowledge issues concerning the nature of the capacity rights. As such to the extent NEL Parties seek further guidance in their Petition or Answer, we are unable to do so at this time because both the NEL Petition and Answer contain inconsistent and conflicting statements regarding the scope of the NEL Petition. For example, NEL Parties state that

“ISO-NE’s primary concern is its belief that the Commission might interpret the Petition as seeking a declaratory order that would summarily require ISO-NE to recognize firm physical transmission rights for NEL Participants… ISO-NE’s concerns are misplaced because the NEL Parties seek no such ruling from the Commission in this proceeding.”

However, NEL Parties also state that

“the issue that the Petition does present [is] the consistency with the Commission’s open access requirements of an agreement under which First Wind, as the entity committing to bear the costs of the participant-funded transmission project, receives the right to the line’s capacity.”

27 NEL Parties Answer at 8, 16-17. NEL Parties argue that the transaction’s participant funding model is consistent with Commission precedent as set forth in NU/NSTAR. NEL Parties Answer at 5 (citing NU/NSTAR, 127 FERC ¶ 61,179). In the NEL Petition, NEL Parties state that “[s]pecifically, NEL Parties seek a determination that [the proposal] is consistent with the Commission’s requirements regarding participant-funded transmission lines, most particularly as described in the Commission declaratory order in NU/NSTAR”). NEL Petition at 1.

28 NEL Answer at 2, 6-10 (emphasis added).

29 NEL Parties Answer at 17 (emphasis added).
In addition, NEL Parties state that the proposal would “offer transmission service to First Wind over the NEL in the amount of the full transfer capability of the line.” Therefore, we find that NEL Parties remain unclear as to whether and to what extent the NEL Petition contemplates, and seeks a determination on, the nature of rights to be associated with the NEL project.

31. NEL Parties contend that the proposal in the NEL Petition is consistent with the proposal in NU/NSTAR. We disagree. In NU/NSTAR, the Commission found that the proposal did not constitute undue discrimination or preference; the proposed configuration of the project in the ISO-NE system allowed for the priority rights affirmatively sought by petitioners. In contrast, the proposed configuration of the NEL project is wholly internal to the ISO-NE system and, consequently, according to ISO-NE, comparable priority rights could require ISO-NE to redispitch the system to ensure firm transmission service for NEL Participants or to choose NEL Participant resources in lieu of more economic resources. ISO-NE finds, therefore, that ensuring comparable priority rights would currently be inconsistent with the ISO-NE OATT, including the security-constrained economic dispatch provisions therein. NEL Parties do not dispute these statements.

32. Also, NEL Parties state that the original NU/NSTAR proposal “included the negotiation of long-term power purchase agreements between the transmission customer and the LSE affiliates of the parties that would own the new transmission projects.”

30 NEL Parties Answer at 4, and Petition at 3.

31 NEL Parties Answer at 5, and Petition at 1.

32 NU/NSTAR, 127 FERC ¶ 61,179 at P 27. See also ISO-NE January 26, 2009 Comments, Docket No. EL09-20-000 at 7-8 (noting that “the structure described in the Petition would not be workable for transmission projects internal to New England because service over the internal New England regional transmission system is not offered on a point-to-point basis, or with preferential use by signatories of new bilateral power supply arrangements.”)

33 ISO-NE Comments at 19.

34 See ISO-NE Comments at 18-20. ISO-NE notes that the NEL could be pursued as: (i) an Elective Transmission Upgrade, including by using tailored bidding methodologies coupled with Financial Transmission Rights issued under the ISO-NE OATT; (ii) a generator interconnection facility employing a “collector” system; or (iii) as a public policy upgrade pursuant to Order No. 1000. ISO-NE Comments at 4, 11-16.

35 Petition at 16. The NEL Parties acknowledge that these arrangements are no
Here, in contrast, NEL Parties state that the “NEL transaction does not involve any plan for a power purchase agreement with any entity affiliated with the NEL Parties. The NEL Parties and their affiliates, however, reserve the right to purchase energy from any NEL Participant and one or more affiliates of the NEL Parties could well do so…”\textsuperscript{36} Moreover, one NEL Party, Bangor Hydro, and its affiliates will be in turn affiliated with First Wind, the only NEL Participant noted by NEL Parties. No such relationship existed in \textit{NU/NSTAR}.\textsuperscript{37} Based on these conflicting statements, the Commission finds that the NEL project is clearly different from the structure approved in \textit{NU/NSTAR} because of reasons set forth above.

33. Finally, in \textit{NU/NSTAR}, we found that petitioners had adequately addressed protestors’ concerns as to whether the proposal would result in undue discrimination or would be otherwise unjust and unreasonable.\textsuperscript{38} The NEL Parties should address the unresolved issues in the NEL Petition in a manner that does not constitute undue discrimination or preference and is consistent with the Commission-accepted ISO-NE Tariff, including by clarifying the nature of the rights to be associated with the NEL Project and the participation of affiliates.

The Commission orders:

The NEL Parties’ petition for a declaratory order is granted on the limited issue as discussed in the body of this order.

By the Commission.

\textit{(S E A L)}

Nathaniel J. Davis, Sr.,
Deputy Secretary.

\textsuperscript{36} \textit{Id.}

\textsuperscript{37} \textit{NU/NSTAR} at P 54 (stating that “[t]he Commission finds that Hydro-Québec, HQUS and its subsidiaries [\textit{i.e.}, entities participant-funding the project] are not affiliated with the Petitioners and, therefore, the possibility of affiliate abuse does not exist.”).

\textsuperscript{38} \textit{NU/NSTAR}, 127 FERC \textsuperscript{||} 61,179 at P 17.