

STATE OF CONNECTICUT
CONNECTICUT ENERGY ADVISORY BOARD

CEAB Request for Written Comment regarding Request for Proposals Procedures for New England East West Solution (“NEEWS”) Project	August 3, 2007
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COMMENTS
OF THE
CONNECTICUT MUNICIPAL ELECTRIC ENERGY COOPERATIVE

Introduction:

The Connecticut Municipal Electric Energy Cooperative (“CMEEC”) submits these comments in response to the Connecticut Energy Advisory Board’s (“CEAB’s”), Request for Written Comment (“RFC”) regarding the New England East West Solution (“NEEWS”) project. The CEAB initially designated the submittal deadline as July 27, 2007, but subsequently extended it to August 3, 2007.¹ CMEEC appreciates this opportunity to provide comment on the CEAB’s important work in the planning and development of Connecticut’s electric infrastructure.

In the RFC, the CEAB describes, as a general matter, its authority on its own initiative to issue request for proposals (“RFPs”) to solicit projects or actions to address unmet needs for electric supply (so-called “proactive RFPs”) and, separately, to issue RFPs in response to filings of applications for certificates of environmental compatibility and public need (“CECPNs”) for electric “facilities” with the Connecticut Siting Council (“CSC”) (so-called “reactive RFPs”).

¹ CMEEC also agrees with the concerns of the United Illuminating Company (“UI”) raised in its comments filed in response to the CEAB’s RFC on this date.

Through the RFC, the CEAB seeks comment on the appropriate sequencing and format of the RFPs and overall procedure which the CEAB should adopt in light of the pending NEEWS project currently under development by Northeast Utilities (“NU”) and National Grid (“Natgrid”). The CEAB also seeks specific comment on the following items:

- (a) suggestions on the form and timing of a request for proposals (“RFP”), whether proactive, reactive or both;
- (b) a comparison of the benefits and drawbacks, if any, of the recommended RFP approach versus other RFP approaches available under the statutory framework; and
- (c) Any other comments concerning the needs identified by the Independent System Operator – New England, Inc. (“ISO-NE”) for NEEWS and the means to assess alternative solutions consistent with the statutory framework in Connecticut.

Summary of CMEEC Comments:

The NEEWS project is a very significant project, with large estimated costs and potentially large benefits. Especially for a project of NEEWS’ magnitude, the public interest and CEAB’s statutory charge dictate that the project undergo a comprehensive and rigorous assessment of its economics, electric reliability and environmental impacts. This assessment must incorporate and analyze the impact of major new developments in the wholesale electric markets occurring after the NEEWS project planning was initiated. This necessary assessment, CMEEC submits, has not occurred to date. The CEAB’s RFP process is a vital and critical tool in assuring the optimum development of electric projects, like NEEWS, but effective engagement of that tool can only occur if informed by a proper and focused assessment of the unmet need and proposed project(s) which the RFP(s) is(are) intended to address.²

² The CEAB RFP process was enacted by the Connecticut legislature in 2003 following on the heels of

CMEEC also believes that the state's three transmission LSEs, CL&P, United Illuminating and CMEEC, should be fully involved in the joint planning and ownership of transmission facilities within the State. The CEAB RFP process should be structured to facilitate better this result.

To address these challenges, CMEEC recommends that: (a) the CEAB RFP process be conducted for the NEEWS project; (b) that any RFPs be issued following the completion of the first IRP review required by Public Act 07-242; and (c) that the IRP review address and analyze the unmet needs identified by the NEEWS project planning and, in light of that analysis, as well as input from all of Connecticut's transmission entities provide focus and structure to the RFP packages which the CEAB will later implement.

Absent adoption of these recommendations, CMEEC has serious concerns that the CEAB RFP process could be rendered ineffective and the NEEWS project may fail to deliver net benefits for Connecticut ratepayers.

CMEEC Background:

CMEEC is a non-profit municipal joint action electric agency that supplies the wholesale power supply requirements (including both generation and transmission) of six municipal electric department participants with retail service territories in Connecticut (five of whom are members of CMEEC) as well as several other Connecticut customers

CSC review of the Southwestern Connecticut Phase I and II 345 kV transmission lines. Its purpose in large part was to provide for precisely the type of comprehensive assessment of "facilities" subject to CSC review advocated for in the text. The NEEWS project is likely the largest, most complex and highest estimated cost project to proceed through regulatory review in Connecticut since the Phase I and II 345 kV projects, which review now includes the CEAB RFP process. A waiver of the CEAB RFP process for the NEEWS project could undercut a major purpose of the legislation.

purchasing power at wholesale.³ CMEEC is a “body corporate and politic” created in 1976 pursuant to Conn. Gen. Stats. §§ 7-233a *et seq.* CMEEC is an active participant in the New England wholesale power markets, a NEPOOL Participant and an electric load-serving entity (“LSE”) of long-standing. End-use sales by CMEEC’s municipal members and participants comprised 1,984,563 MWhs in 2006, or approximately 5.8 % of Connecticut’s total annual energy consumption. CMEEC’s peak load in 2006 was 398.32 MW.

As described further below, the NEEWS project, as currently configured, is a complex and costly undertaking, with likely major impacts on the wholesale electric market and on electric consumers in Connecticut. As a LSE in Connecticut purchasing generation and transmission services at wholesale, CMEEC will be substantially affected by the NEEWS project and, accordingly, has a vital interest in assuring optimal development and regulatory review of the project.⁴

CMEEC’s Specific Comments in Response to the RFC:

The purpose of the CEAB RFP process is to allow for a comprehensive comparative review of the economics, operational benefits and environmental affects of alternative solutions to an identified unmet need of the electric supply system in Connecticut. The RFP process facilitates an improved assessment across alternatives

³ Specifically, CMEEC provides power supply service to: the City of Norwich Public Utilities, the City of Groton Department of Utilities, the Borough of Jewett City Department of Public Utilities, the Second Taxing District of the City of Norwalk’s South Norwalk Electric and Water (“SNEW”), the Third Taxing District of the City of Norwalk Electric Department; and to a participant: the Town of Wallingford Department of Public Utilities – Electric Division; and to customers: the Bozrah Light & Power Company (owned by the City of Groton Department of Utilities); and the Mohegan Tribal Utility Authority.

⁴ CMEEC has not yet formulated a definitive final position regarding the NEEWS project, as currently configured, and whether its benefits outweigh its costs. At this juncture, however, CMEEC is vitally concerned that the project incorporate modifications, if warranted, to reflect lower cost more effective alternate solutions and undergo a thorough and rigorous review to assure that, as reconfigured to incorporate alternate solutions in whole or in part, its benefits exceed its costs for Connecticut electric consumers.

involving generation, transmission and energy conservation and efficiency (and not just transmission, as embodied in the NEEWS project). Reflecting the restructured electric industry, the CEAB RFP process provides for the development of these alternatives by competing proposals from competing organizations or joint ownership options for transmission by affected LSEs.

As discussed further below, the NEEWS project, as currently configured, presents significant challenges to the conduct of an effective CEAB RFP process. At the same time, the CEAB RFP process and the new integrated resource planning process (“IRP”) contemplated by Public Act 07-242 are necessary and critical tools for assuring a full assessment and proper balance of the economics, reliability and environmental impacts of the project.

This necessary comprehensive assessment has not, to CMEEC’s knowledge, occurred to date. Thus, the CEAB recently noted of the NEEWS project the following:

Plans for transmission projects of the scale proposed [i.e., of the NEEWS project] must include a thorough assessment of generation, transmission, distribution, and demand-side options in addressing reliability and congestion. **Your analysis [ISO-NE, coordinating planning efforts of NU and NatGrid] to date includes very limited consideration of the non-transmission options.** A comprehensive understanding of the costs and benefits of the transmission proposals is needed to inform market and state policy makers on the merits of the proposed projects relative to alternative approaches.⁵ (emphasis supplied).

ISO-NE, itself, in responding to inquiries of the CEAB, stated of the NEEWS project the following:

The ISO does not plan to develop further assessments of non-transmission alternatives [to NEEWS]. **In fact, ISO is not equipped, nor has it been given authority to present a full non-transmission alternative to projects [such as NEEWS] identified in the RSP [ISO-NE’s Regional System Plan].** Other

⁵ CEAB, SNETR Subcommittee to Steve Rourke, Senior VP, System Planning for ISO-NE, *Re: Feedback on SNETR Presentations* (Jan. 15, 2007), p. 2 (the “SNETR” project is now described as the “NEEWS” project).

forums are available for consideration of alternative solutions when projects are proposed to the Siting Council, at which time the CEAB is required by law to issue a reactive RFP for alternative proposals.⁶ (emphasis supplied).

At a minimum, the appropriate framework for CEAB review and conduct of proactive or reactive RFPs regarding the NEEWS project should be responsive to and properly reflect: (a) the different geographic locations of and electric system needs sought to be served by the NEEWS project itself; (b) the additional authorities and procedures conferred on the CEAB and the Department of Public Utility Control (“DPUC”) by the Connecticut General Assembly with the enactment of Public Act 07-242; and (c) other parallel major developments affecting the wholesale electric market which may not have been fully or adequately considered by the planning of the NEEWS project and the NEEWS project’s current configuration.

The NEEWS project is intended to address the following electric system needs:

- (a) Regional East-West (New England) power flow limitations due to potential thermal and voltage violations on area transmission facilities under contingency conditions.
- (b) Limitations on power transfers into and out of Connecticut which over the long-term are projected to result in an inability to serve load under probable system conditions.
- (c) Stresses on the transmission system due to East-West flows of power within Connecticut (coupled with increased Connecticut imports).
- (d) Reliability problems in the Springfield, MA, area.
- (e) Reliability problems in Rhode Island.

⁶ Stephen Rourke, VP System Planning, ISO-NE to CEAB, *Response to Comments on SNETR* (March 22, 2007), p. 4.

Reflecting these identified needs, the NEEWS project consists of a number of geographically diverse physical components, including the following new transmission lines:

- (a) a new Millbury (MA)-West Farnum (RI) -Lake Road (CT)-Card (CT) 345 kV line.
- (b) A second West Farnum (RI)-Kent County (RI) 345 kV line.
- (c) A new North Bloomfield (CT)-Frost Bridge (CT) 345 kV line.
- (d) A new Ludlow (MA)-Agawam (MA)-North Bloomfield (CT) 345 kV line.

Additional autotransformers and substation improvements are proposed in Connecticut at the Frost Bridge and North Bloomfield substations and in Rhode Island and Massachusetts at Kent County (RI), the 345 kV line connecting Brayton Point and ANP Bellingham (MA), and Agawam (MA).

The NEEWS project, as currently configured, combines, without establishing a priority, a number of geographically diverse projects located in different jurisdictions intended to meet overlapping, but different, system needs. For purposes of the CEAB, the identified system needs and project proposals located outside Connecticut, specifically those intended to address the Springfield (MA) and Rhode Island reliability problems are distinct and very likely are best addressed by new facilities located outside Connecticut and, therefore, involve matters which are not jurisdictional to the CEAB RFP process.

For the CEAB's purposes, and as ISO-NE itself has acknowledged, the remaining unmet system needs intended to be addressed by the NEEWS Project – those relating to overall East-West New England transfer and East-West Connecticut transfers -- and the 345 kV lines and ancillary facilities proposed to address these needs, in their current configuration – must undergo a comprehensive assessment. This assessment would

include an evaluation of the unmet need in light of the many material changes in the market-place (discussed further below) and would consider non-transmission as well as transmission solutions. Absent such an assessment, the design of any RFP process could be incomplete and ineffective: (a) because the unmet need, following such assessment, could be determined to be different than that posited by the NEEWS project's planning to date; and (b) because, absent the focus provided by such assessment, any RFP seeking to replicate an alternative to the entire package of all of the NEEWS facilities could lack the necessary elements to allow for a real evaluation of competing alternative solutions – which might better result from segmented and focused RFPs addressing particular components of the identified unmet need.

If properly structured to include a full analysis of the NEEWS project, the IRP process contemplated by Public Act 07-242 is the forum for providing such an assessment. The IRP review could also provide guidance on the design of the CEAB RFP process to allow for the necessary focus to make the subsequent CEAB RFP process more effective and meaningful.

Sequencing completion of the IRP review prior to the conduct of the CEAB RFP process is made even more necessary by the numerous major developments in the Connecticut wholesale electric market. These developments may not have been fully considered in the NEEWS project planning to date and would presumably be considered in a properly structured IRP process. These developments include:

- (a) the selection of the four projects for contracting in the Energy Independence Act Phase II procurement.

- (b) The several thousands of megawatts of generation capacity under development in Connecticut in response to the ISO-NE's forward capacity market ("FCM").
- (c) The development by ISO-NE of its overlapping interconnection standard, contemplating the application of a "full integration" standard for interconnection for new generation capacity seeking to qualify its capacity in the FCM.
- (d) The addition of substantial generation capacity under the grant and loan programs of the Energy Independence Act, as well, as those added by Public Act 07-242.
- (e) The impact on load growth of the smart metering, load control and other rate-design and conservation and load management initiatives of Public Act 07-242.
- (f) The planning initiatives of Public Act 07-242 (including the IRP process and the peaking generation procurement requirements of the Act).

A full assessment of the NEEWS project would allow also for the consideration of other alternate and/or jointly owned solutions which LSEs operating in Connecticut, such as CMEEC and UI as well as CL&P, are evaluating. Trade-offs between and among these alternative solutions and the NEEWS project could provide substantial consumer benefits in comparison to the base-line established by the NEEWS project. These alternate projects could be preempted and their potential benefits lost if the NEEWS project is not subject to the review process recommended in these comments.

Conclusion:

CMEEC appreciates the opportunity to submit these comments to the CEAB. CMEEC recommends that the CEAB RFP process be undertaken for the NEEWS project, but that it be sequenced following the completion of a comprehensive assessment of the overlapping identified unmet needs and various proposed solutions of the NEEWS project, as currently configured.

Respectfully submitted,
CONNECTICUT MUNICIPAL ELECTRIC
ENERGY COOPERATIVE

By: 

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