

New England States Committee on Electricity



NARUC Energy Regulatory Partnership Program

*The Energy Regulatory Commission of the Republic of Macedonia
and*

The Vermont Public Service Board

by

David O'Brien, Commissioner

Vermont Department of Public Service

May 25, 2005



Background

- ❖ The Federal Energy Regulatory Commission (FERC) initiated Standard Market Design or SMD in 2002.
- ❖ Regulatory structure reformed to include a Regional Transmission Organization (RTO) and a Regional State Committee.
- ❖ ISO-NE approved by FERC to be the New England RTO.
- ❖ New England Governors Conference petitions the FERC in 2004 to form an RSC to be called the New England States' Committee on Electricity or NESCOE.



NESCOE Mission

- ❖ Vehicle for the New England Governors to offer insight on electric supply, transmission and fuel diversity
 - Governors' accountability to the citizens of the region gives them insight into effects of policy and market design changes on the consumers
 - Governors' accountability positions them to advise on tradeoffs between competing policy objectives to best protect constituents
- ❖ NESCOE will have close collaboration and communications with the regional transmission organization for New England (RTO-NE), the Transmission Owning Entities (TOs), NEPOOL and various sector stakeholder groups to advocate for the public's interests.



Mission continued...

- ❖ NESCOE will advocate for the public's interests in region-wide electricity issues while balancing various, energy, economic and environmental public policy objectives.
- ❖ NESCOE is not to replace or constrain the functioning of the New England Conference of Public Utility Commissioners (NECPUC) or the Power Planning Committee of the New England Governors' Conference.



Corporate structure and governance

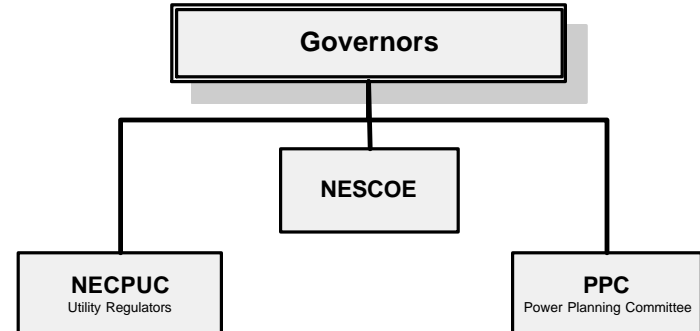
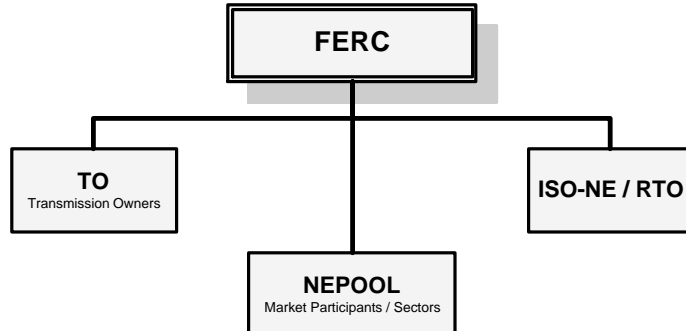
- ❖ Tax-exempt corporation under Section 501C(3) of the Internal Revenue Service Code.
- ❖ Governed by appointees of the Governors of the six New England states. As members of the “Committee,” they will be the Board of Directors of the organization.
- ❖ Two-tiered weighting system for votes by states to balance
 - Share of load
 - One state, one vote



New England State Committee on Electricity (NESCOE)

CT - NH - MA - ME - RI - VT

Tuesday, April 26, 2005





Operating Activities: External Consultation, Negotiation and Advocacy

- ❖ All parties have stressed the need for early, on-going and coordinated involvement of states in formulating regional electricity policies.
- ❖ Too often important market operation, system reliability and consumer welfare issues are litigated at the FERC with state regulators on one side and market participants or RTO-NE or the Transmission Owners on the other.
- ❖ NESCOE will work collaboratively with stakeholders on a proactive basis to improve understanding and implications of policy options for the electricity system in New England.
- ❖ NESCOE will obtain and convey information efficiently and, wherever possible, will resolve differences collaboratively rather than through litigation.



Operating Activities: External Consultation, Negotiation and Advocacy, continued

- ❖ NESCOE staff would attend important NEPOOL committee meetings and RTO-NE stakeholder meetings to gather and share information.
- ❖ Cultivating good working relationships among the states and with stakeholders will be a primary focus.
- ❖ NESCOE will provide a means for the states to achieve an enhanced understanding of critical issues and to devise policies that will meet the needs of both market participants and consumers.
- ❖ NESCOE will maintain ongoing dialog with diverse stakeholders including:
 - RTO-NE
 - Market Participants
 - Environmental Advocates
 - State Utility Commissions
 - NEPOOL
 - Transmission Operators
 - Consumer Advocates
 - State Energy Offices
 - State Environmental Agencies
 - FERC



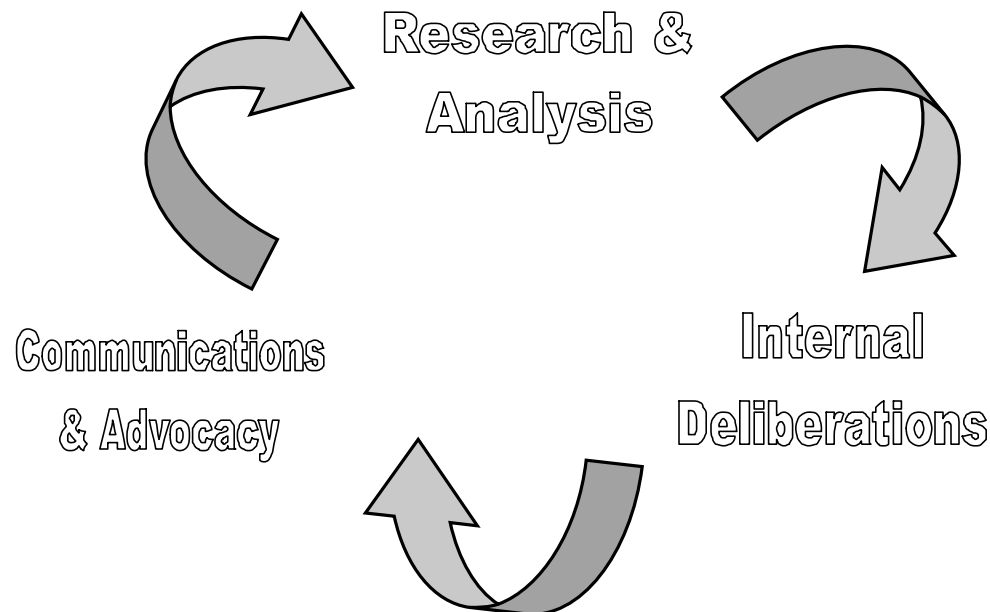
Operating Activities: Research and Analysis

- ❖ As various system policies and market rules are developed and proposed by RTO-NE or by market participants, NESCOE staff will assess the merits of proposals and make recommendations to the NESCOE Board.
- ❖ The organization will need to accurately identify the key components of any proposal, identify issues of concern and assess the advisability of the proposed action.



Operating Activities: Communications and Advocacy

- ❖ As NESCOE develops its positions on broad policy or specific proposals, it will effectively communicate positions with stakeholders at RTO-NE, NEPOOL, FERC, and the general public.
- ❖ This will be a constant, interconnected process.





Operating Activities: Internal Deliberations & Decision-Making

- ❖ NESCOE's ultimate value largely rests on ability to achieve consensus among the states and persuade policy makers at the regional and federal levels.
- ❖ Consensus will be based on high quality research, analysis and communications by the staff, leading to votes of the members to establish the organization's formal policy objectives and action recommendations.
- ❖ When the Committee has reached a decision it will forward that recommendation to RTO-NE and seek a formal commitment to implement it.
- ❖ If a recommendation of the Committee is not to be implemented by RTO-NE, the Committee will then consider whether to forward the recommendation directly to the FERC with a request for adoption.



Initial Priorities: Installed Capacity Needs and Funding, Emphasis on LICAP

- ❖ NESCOE is well-positioned to evaluate the reliability risk consumers would want reflected in electric system policies and rules and the price they want to pay to achieve this level of reliability.
- ❖ During its first year of operations, NESCOE will review the underlying assumptions and market rules that give rise to Installed Capacity obligations. NESCOE expects to make recommendations on Installed Capacity policies and rules.
- ❖ NESCOE will evaluate the consequences of initial LICAP rules implementation and may recommend revisions to those rules over time.



Initial Priorities: Fuel Diversity for Electric Generation, with Initial Emphasis on Natural Gas Supplies

- ❖ Growth of natural gas for power generation, in combination with heavy winter demand for this fuel for space heating, has increased demands on ability to deliver sufficient gas supplies during the peak-heating season.
- ❖ NESCOE will work with RTO-NE and stakeholders to recommend measures to ensure adequate fuel supply for generators.
- ❖ **Over the long-term NESCOE work to promote a desirable resource portfolio with a diversity of fuel types, generation capabilities and efficient use of electricity by consumers.**



Initial Activities: Evaluation of Proposed Transmission System Expansions, with Initial Emphasis on Inter-state Lines

- ❖ When new inter-state transmission lines are proposed, NESCOE will evaluate need from a **regional** and **system** perspective and communicate its findings to state siting and permitting agencies.
- ❖ NESCOE findings and recommendations could help expedite decision-making in siting processes by educating other appropriate state agencies on the region's energy needs and how a proposed line may contribute to meeting those needs.



Staffing

- ❖ Staffing requires technical acumen and skills for active engagement with stakeholders of the regional electricity system on a wide range of issues with considerable technical and economic complexity.
- ❖ Initially, limited staff whose activities will be supported by subject matter consultants on an “as needed” basis.
- ❖ Over time, NESCOE will develop a professional staff that will have the experience and abilities needed to achieve the organization’s goals.



Positions

- ❖ Executive Director
- ❖ General Counsel
- ❖ Director of Economic Analysis and Market Development
- ❖ Director of Operations Analysis and System Reliability
- ❖ Director of Communications
- ❖ Business Manager



Funding

- ❖ NESCOE will be funded by a region wide tariff collected by RTO-NE and directed to NESCOE.
- ❖ The financial needs of the organization will increase over the first five years as the organization grows to its steady-state size and capabilities.



**New England State Committee on Electricity
(NESCOE)**
CT - NH - MA - ME - RI - VT

Thursday, April 07, 2005

