



**To:** Vermont System Planning Committee

**From:** Frank Ettori, Director of NEPOOL/ISO-NE Relations and Power Accounting

**Date:** October 12, 2016

**Re:** Update on ISO-New England issues

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### **Regional Network Service investigation (EL16-19) yields Champion opportunity**

FERC, in this case, seeks greater transparency in the way transmission owners report and calculate annual revenue requirements. The NETOs continue to work towards possible settlements with the consumer advocates, state regulators, and New England States Committee on Electricity (together, the consumer interested parties or CIPs) and FERC staff. In the first stage of these negotiations, the NETOs and CIPs collaborated to develop procedures (“protocols”) that call for more informal information sharing and provide for alternative dispute resolution mechanisms.

Recently, the NETOs entered the second phase of the case by converting the Tariff’s prose revenue requirement provisions, which by their nature were subject to potentially different NETO interpretations, into a mathematical formula on a common spreadsheet template. The NETOs shared the template with the CIPs and FERC staff. FERC staff responded with a host of technical counterproposals, which the NETOs are evaluating. Interestingly, the CIPs “counteroffer” included a proposed change to ISO-NE’s transmission planning process VELCO had proposed to NESCOE and others two years ago as part of our Champion initiative work. The objective then and now is to strengthen regional cost controls and increase accountability. Specifically, the CIPs are demanding that the Tariff be amended to require that the transmission owner obtain an ISO-NE approved Transmission Cost Allocation (TCA) application prior to including a transmission project in rates. Their requests also include greater cost controls and a requirement that ISO-NE conduct Attachment F cost audits of the NETOs. Most of these and other items in the letter are initiatives VELCO has advocated for years and we will continue to champion these concepts in discussions with our fellow NETOs.

### **IMAPP initiative seeks to integrate public policy goals and markets**

In August, NEPOOL convened an initiative called IMAPP, or Integrating Markets and Public Policy, seeking to better integrate states’ climate change and energy-related policies with market design. Stakeholders have met three times thus far, beginning with an August 11 “Idea Day” at which interested market participants offered high-level proposals. Additional meetings are scheduled in

October and November with the goal that NEPOOL will develop a “framework document” by December 2 to provide guidance to ISO-NE regarding potential changes to the wholesale power markets.

New England’s energy and capacity markets were designed to be fuel-neutral and to choose the most economically efficient resources to meet reliability needs. New England states’ climate change policies and associated out-of-market subsidies, however, are hastening fossil fuel generation retirements and a transition to a low-carbon, renewable fleet. The IMAPP process seeks to achieve better alignment of the markets with the state’s policy goals.

Currently, participants seem to favor collective development of a forward clean energy market (FECM) that would procure clean energy three years out to meet state public policy goals. States could participate at their discretion, with costs allocated only to participating states. Predicting an outcome for this initiative is difficult. What is clear is that significant work remains for any proposal to move forward.

### **Order 1000: who should pay for PTF components of projects driven by local needs?**

ISO-NE and NETOs continue to debate whether the costs of local transmission components that qualify as Pooled Transmission Facilities (PTF) should be funded regionally (the status quo) or locally. Some of the proposals considered were: (1) asking FERC for an exemption from competition for local projects; (2) regionally funding if the local project met a regional need; and (3) locally funding local projects. In the end, the NETOs have agreed to locally fund projects driven by local needs.

Vermont’s future need for local projects is limited, and supporting local funding likely offers the greatest financial benefit for the state’s ratepayers.

### **Return on Equity complaint**

An administrative law judge recently denied the NETOs attempt (joined by Edison Electric Institute) to have the fourth ROE Complaint thrown out; the case has been tracked for settlement proceedings. This likely means that, absent a global ROE settlement or a significant upward shift in market interest rates, this case will not be resolved until 2018 and additional ROE Complaints will continue to be filed.