

## CONFIDENTIAL DRAFT

### New England States Committee on Electricity

**To:** NESCOE Managers, Others  
**From:** NESCOE Staff  
**Date:** February 25, 2014  
**Subject:** Regional Infrastructure – Organizational Approach

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This memo provides a summary of further areas of agreement at the most recent Regional Infrastructure meeting. It also sets forth an organizational approach by which to advance work on this matter. The approach is intended to be directionally consistent with the work flow to date. For example, it does not reflect any changes arising from yesterday's discussions in Washington D.C.

- The follow-up items at the end of this memo include: 1) each state should send one email identifying the staff person(s) from their state to serve on 1) the Transmission Team, 2) the Gas Team and 3) the Legal Team. Please send to [JasonMarshall@nescoe.com](mailto:JasonMarshall@nescoe.com) who will compile and distribute list.
- Each state should send to [BenDAntonio@nescoe.com](mailto:BenDAntonio@nescoe.com) the name of the EDC/LDC representative from their state appropriate to invite to a call about capacity release.
- When states reach agreement on cost allocation, alert NESCOE staff to enable feedback on the design of the tariff changes and, following agreement on design, initiate contact with the TOs and ISO-NE on developing the changes.

#### **I. Further Substantive Agreement on Developing the Transmission Approach and & Gas Pipeline Proposal**

##### **A. Further Statement of Agreement to Date on Transmission**

- The New England states will seek bids for transmission through one or more RFPs that will be issued on behalf of six states for transmission and for no- or low-carbon emissions generation by or on behalf of one or more states that self-select based on authority and interest in associated generation.
- Such solicitations would follow the grant of power procurement authority in some states seeking authority this spring.
- The costs of transmission projects that may be selected by the six states would be shared by the six states through the ISO-NE tariff.
- The costs of generation projects that may be selected would be paid by those states that have authority to procure generation and that have elected to use such authority.

- In the near term, if states agree on an ex ante cost allocation method, the states will work with TOs and ISO-NE to develop tariff language to present to NEPOOL and ultimately seek FERC approval. The tariff will establish the mechanism for recovery of the costs of any transmission projects that may be selected. The tariff will include a formula for cost allocation (as yet TBD) that will apply to any projects selected. The intent is to provide prospective bidders greater certainty around cost recovery in advance of RFP issuance and to expedite the project(s) by securing FERC approval in advance of a new category of transmission upgrade aligned with the Governors' infrastructure initiative.
- The selection of any transmission line for cost sharing by the six states does not disturb the integrity of the siting process in the host state.
- All six states agree that the costs of any incremental transmission projects selected by all six states to deliver low- or no-emission resources to the New England grid should be shared on a [TBD – *VT, NH pending; ME, MA, CT, RI support load ratio share*] basis, provided that the expected transmission costs of any such projects do not exceed the following benefits:
  - reduced LMP,
  - reduced capacity costs, and
  - [reduced RGGI compliance costs – *ME, MA, CT support including this, recognize may be difficult to quantify*]

## **B. Further Statement of Agreement to Date on Natural Gas Pipeline**

- The current proposal is intended as a one-time solution in light of exigent circumstances. Over the long-term, market solutions are needed to address reliability and other electric market challenges. In later years, it is possible that other alternatives such as storage may satisfy needs.
- The six states prefer a constrained contract term (e.g., 10, 15, 20 years).

## **II. Organizational Means to Advance Work**

To move matters forward to state officials that are representing their Governors on this matter, referred to here as the Governors' Infrastructure Group (GIG), we will create two technical teams: a Transmission Team and a Gas Team. The technical teams will produce documents and surface decision points and options with analysis as appropriate to the GIG for their decisions and guidance. We will also create a Legal Team to provide state statutory and other legal guidance to both technical teams and the GIG as needed. NESCOE staff will coordinate the technical and legal teams and in most cases produce the initial drafts of documents to facilitate the technical teams' work.

This structure worked very well to advance and to expedite work in coordinated procurement in 2012/2013. Two factors were key in moving that complex six state effort in an efficient and timely way: 1) Each state indicated to its representatives on the technical teams that the work was priority and that their prompt attention and replies were necessary, and 2) the work was conducted and work products were produced according to a deliberate process and document production flow identified at the outset. This ensured that time allocated to the

matter was directed to matters and documents that were ripe and timely and ensured that efforts were focused on executing the next identified objective.

To that end, the following is the proposed organizational structure:

- A. The Governors Infrastructure Group (GIG):** The GIG will include state energy officials and NESCOE Managers that have been meeting to date and will make final decision and provide guidance.
- **Calls:** The GIG will have weekly calls on Fridays<sup>1</sup> at 3:00 pm. 404-920-6777. Code: 54 79 3643#. The call schedule is included below in Section F.
    - *Agenda and Materials:* We will issue a short draft agenda the Wednesday before the Friday call. Any state wishing to add items should respond to that e-mail by Thursday so that all states know in advance what matters will be discussed. As discussed, given the frequency of the GIG's calls and meetings, and given the need for time for the technical committees and the legal group to produce work, the GIG will not have a package of material in advance of each weekly call.
  - **Meetings:** The GIG will convene every third Friday for an in-person meeting. The in-person meeting is presumed to be NESCOE's office (4 Bellows Road, Westborough) unless other locations are announced. As discussed, Fridays are the optimal day for those required to travel longer distances and is the day of the week on which we are most able to work around the NEPOOL meeting calendar. The exception is the NEPOOL Participants Committee meeting, which the GIG's meeting calendar will work around. The meeting schedule is included below in Section F.
    - *Agenda and Materials:* NESCOE will circulate a draft agenda and associated meeting materials the Friday before the in-person meeting to maximize efficiency. States should provide any additional agenda items or materials to NESCOE the Tuesday before the in-person meeting to allow a circulation of a final package on the Wednesday before so that all states will be ready to discuss and make decisions.
- B. Transmission Team:** The Transmission Team will include technical staff experts from each state with experience in solicitations and/or transmission system issues. The Transmission Team, as well as the Legal Team, will review and revise, as needed one of the two RFP instruments and associated schedules NESCOE developed in January. As was the case in Coordinated Procurement, NESCOE staff, in consultation with the Transmission Team, will prepare a draft Work Plan governing issues associated with transmission solicitation and bring it to the GIG for review.
- *Other Entities' Participation:* The Transmission Team will include state staff transmission and solicitation experts and NESCOE staff. To the extent the solicitation is transmission only, the Transmission Team will include state staff only. To the extent NESCOE coordinates the solicitation of associated

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<sup>1</sup> As discussed, Fridays generally avoid conflicts with NEPOOL meetings, but for the monthly

power, we could include on the Transmission Team representatives of EDCs with procurement responsibility for those conversations and document production related to power supply.<sup>2</sup> A determination about including any entity other than states will follow states arriving at clarity on process in connection with power procurement.

- *Meeting and call schedule:* The Transmission Team will determine the regular schedule for calls and meetings on timeframes that enable execution of the Work Plan (i.e., work will drive meetings and calls).
- *Consulting Assistance:* Consistent with discussion during the 2012/13 coordinated procurement process, NESCOE will reserve funds and plan to retain an outside consultant to provide analytical support. In connection with transmission, we will need a firm with transmission development and analysis experience (for example, an RLC-type firm). On power contracts, if power procurement is run via NESCOE rather than by one (or more) state with the authority to contract for sufficient power to make a transmission line viable, we will need a consultant with experience evaluating power proposals.
- *Timing of Expenditures on Consultants:* We will not expend or commit to expend significant dollars on consultant(s) until states have obtained authority to proceed to enter power contracts of sufficient magnitude to enable a new transmission line to be viable. We will likely seek to have a transmission consultant spend relatively limited time in the near-term reviewing and commenting on the transmission component of RFP (developed preliminarily in January) given that neither NESCOE nor any state has experience soliciting transmission.

**C. Gas Team:** The Gas Team will include technical staff experts from each state with experience in gas supply and associated issues. As was the case in Coordinated Procurement, NESCOE staff, in consultation with the Gas Team, will prepare a draft Work Plan governing issues associated with gas pipeline development and bring it to the GIG for review.

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<sup>2</sup> A threshold question is whether the states wish to implement a joint solicitation, evaluation and decision-making process for power to flow over any new transmission line when only one state will have authority to procure power at levels that justify investment in new transmission. At this time, states' current aggregate procurement authority could enable a long-term contract for power over Phase II, with no new investment in transmission. Only when Massachusetts is authorized to procure power as requested would investment in new transmission be warranted. A question is whether a more complex regional decision-making process for power procurement is desired when one state's power procurement decision will determine whether a new transmission line is needed. A single state power procurement process coordinated with a regional transmission solicitation would eliminate questions associated with conflicts (e.g., EDCs would not be on the Transmission Team and could execute their procurement according to their established processes). A single state process would also expedite the process and move to a contract quickly, consistent with the processes used to capture tax incentive benefits in 2013.

- *Other Entities' Participation:* The Gas Team will include state staff gas experts and NESCOE staff. We will consult with representatives of the gas distribution companies, pipelines, and others as needed.
- *Meeting and call schedule:* The Gas Team will determine the regular schedule for calls and meetings on timeframes that enables execution of the Work Plan (e.g., work will drive meetings and calls).
- *Consulting Assistance:* At this time, we do not anticipate the need for a gas consultant.

**D. Legal Team:** The Legal Team will include lawyers from each state assigned to provide state statutory and other legal guidance to the Transmission Solicitation Team, the Gas Pipeline Team and the GIG directly as needed.

- *Other Entities' Participation:* The legal team will consist of attorneys from state agencies. We will consult with other counsel, such as transmission owners, distribution companies, ISO-NE, etc., as needed.
- *Meeting and call schedule:* The legal team will convene as needed.<sup>3</sup>

#### **E. Documents in Process**

- **Draft presentation to NEPOOL:** Jason Marshall will circulate a draft power point to the GIG on or about [February 25, 2014](#). That power point will be submitted to NEPOOL on [February 28, 2014](#) in advance of the [March 7, 2014](#) Participants Committee meeting.
- **Draft letter to pipelines.** States should submit edits to the preliminary draft to [BenDAntonio@nescoe.com](mailto:BenDAntonio@nescoe.com) by [February 28, 2014](#). In addition to edits received, we will revise the letter not to seek information from pipelines that we have or that is otherwise publicly available. Ben will circulate a revised draft. The letter will be an item on an upcoming Friday call.
- **Questions for Transmission Owners/Gas Companies:** In process by NESCOE staff. Call to be convened upon receipt of EDC/LDC names from each state.

#### **F. Call/Meeting Schedule through end of June 2014**

- **Call February 28, 2014 at 3:00 pm.**

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<sup>3</sup> Some questions currently ripe for the Legal Team's consideration, for example, may include: 1. Consider and advise about protocols to avoid conflicts of interests involving EDCs/TOs/LDCs (e.g., TOs as potential bidders, EDCs as entities that administer power solicitations in some states, TOs as potential backstop to ISO-NE tariff, EDCs with corporate relationships to LDCs, which may be consulted on the gas capacity matter), 2. Consider and advise as to whether there is any impediment to their Governor appointing a representative of the state to a board of managers that oversees a natural gas capacity manager, 3. Consider and advise about the receipt and protection of confidential, competitively sensitive market information, and 4. Consider any antitrust issues in connection with states seeking to coordinate or communicate with LDCs on negotiations with pipelines (CT lead).

- Cost Allocation analysis distributed February 24, 2014,
  - Report on DC meetings,
  - Other items suggested by February 26, 2014.
- **Call March 7, 2014 at 3:00 pm. (note: Participants Meeting on this day)**
  - Report from MA on its preferences about gas pipeline levels in light of feedback received,
  - Draft letter to gas pipelines.
- **Meeting March 14, 2014**
- **Call March 21, 2014 at 3:00 pm (note: Participants Committee meeting on Demand Curve on this day)**
- **Meeting March 28, 2014 (meeting rather than call due to Participants Committee meeting on April 4, 2014)**
- **Call April 4, 2014 (note: Participants Committee meeting on this day)**
- **Call April 11, 2014 at 3:00 pm**
- **Call April 17, 2014 at 3:00 pm (note: this is a **Thursday** call due to some states off on 4/18)**
- **Meeting April 25, 2014 at 3:00 pm (meeting rather than call due to Participants Committee meeting on April 4, 2014)**
- **Call May 2, 2014 at 3:00 pm (note: Participants Committee meeting on this day)**
- **Meeting May 9, 2014**
- **Call May 16, 2014**
- **Call May 23, 2014**
- **Meeting May 30, 2014**
- **Call June 6, 2014**
- **Call June 13, 2014**
- **Meeting June 20, 2014**
- **Call June 27, 2014**

#### **G. Action Request**

- Each state's GIG representative(s) should send one email identifying the staff person(s) from their state to serve on 1) the Transmission Team, 2) the Gas Team and 3) the Legal Team. Please send to [JasonMarshall@nescoe.com](mailto:JasonMarshall@nescoe.com) who will compile and distribute list.
- Each state should send to [BenDAntonio@nescoe.com](mailto:BenDAntonio@nescoe.com) the name of the EDC/LDC representative from their state appropriate to invite to a call about capacity release.

- When states reach agreement on cost allocation, alert NESCOE staff to enable feedback on the design of the tariff changes and, following agreement on design, initiate contact with the TOs and ISO-NE on developing the changes.