

Competition in Transmission

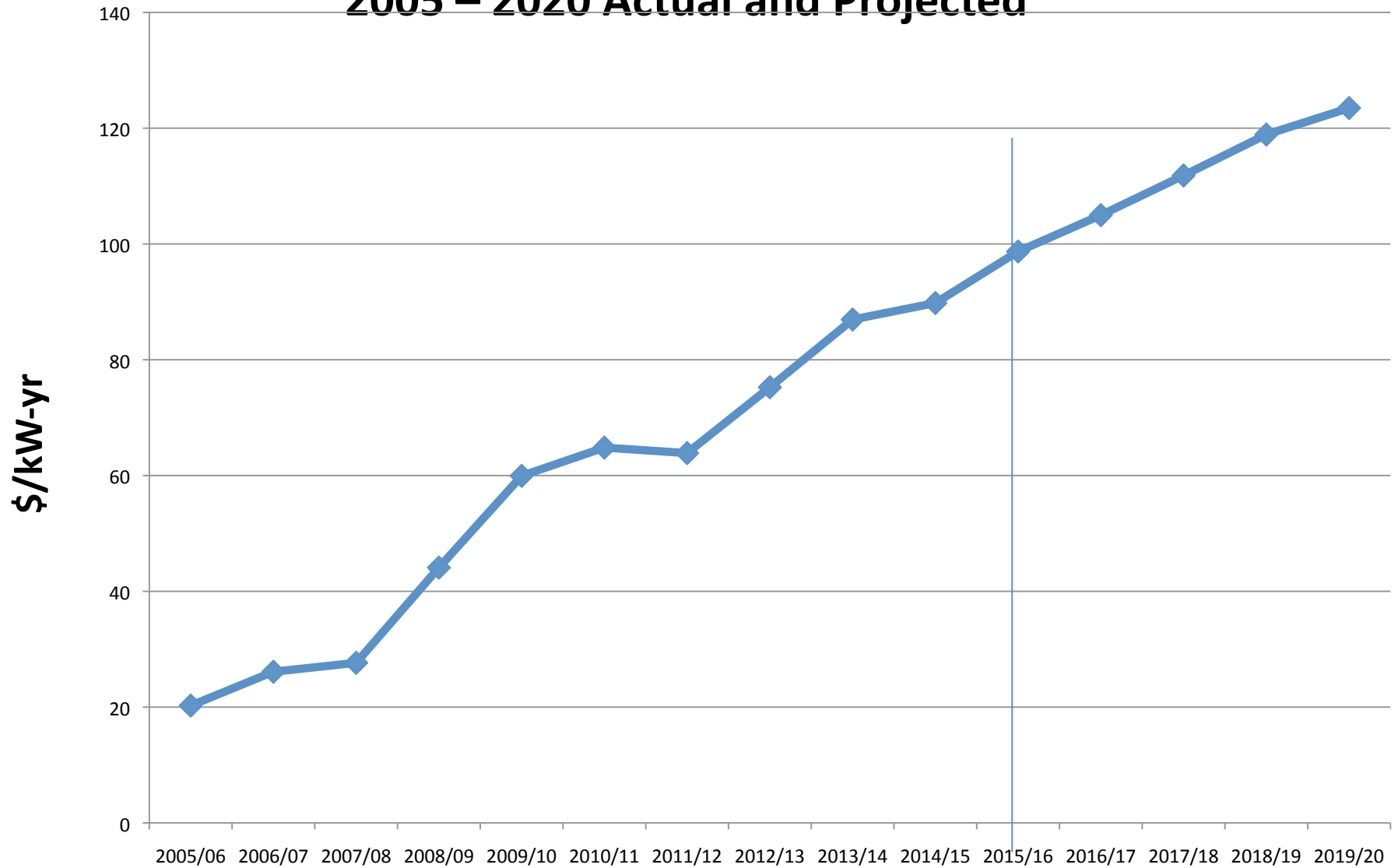
Robert Scott
Commissioner
New Hampshire Public Utilities
Commission

Transmission Component Of Retail Electricity Bills Is Increasingly Significant

- Transmission costs charged to residential customers of PSNH increased by **374%** over the past 11 years
- Distribution costs increased by only 73%
- As a result, transmission now accounts for **25%** of residential customer delivery costs, up from 11% in 2005
- The results are similar for other consumer classes and other New Hampshire utilities

Regional Network Service (RNS) Rate

2005 – 2020 Actual and Projected



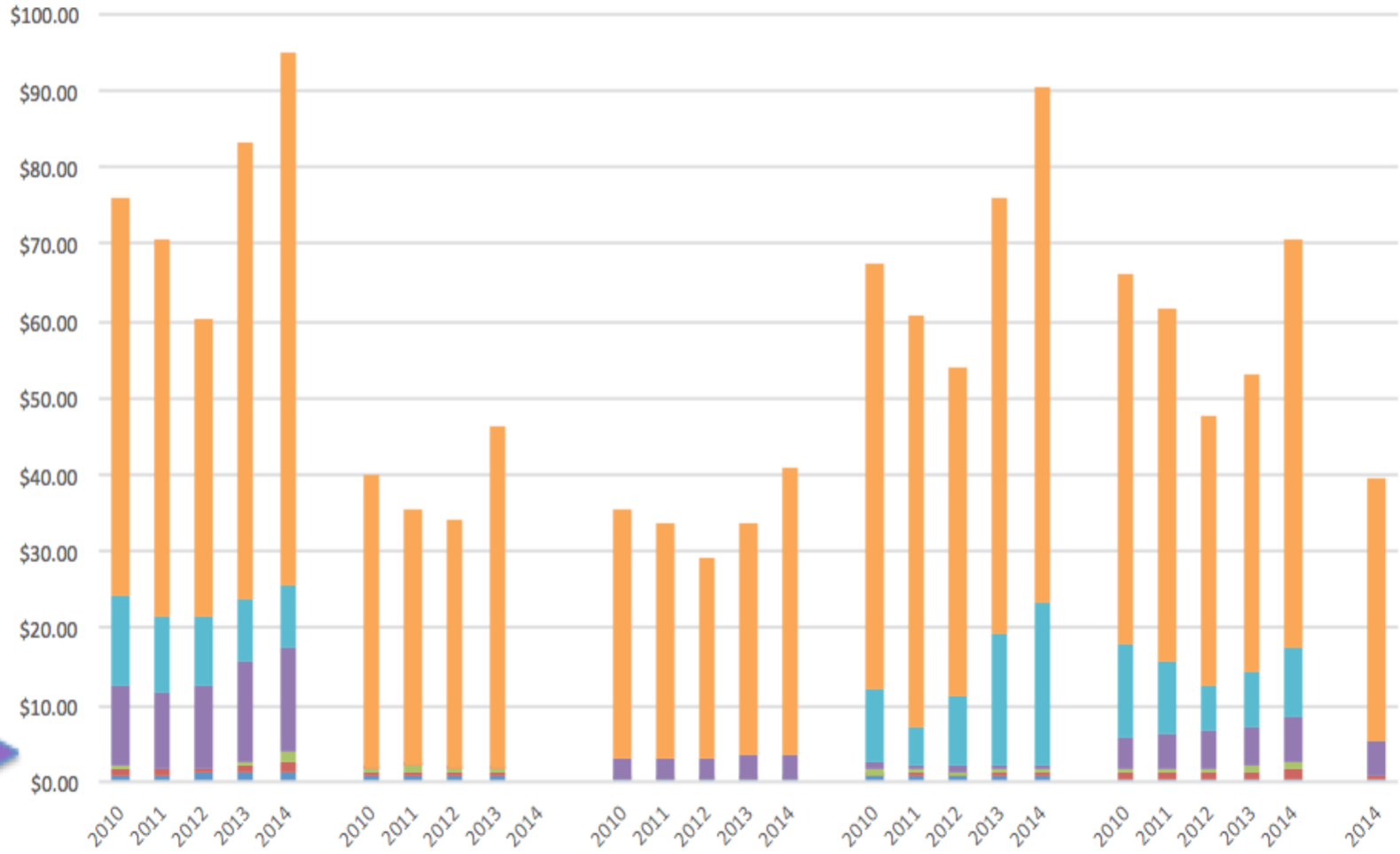
Causes Of The RNS Rate Increase

- Substantial new investment to integrate new transmission facilities and upgrade existing aging facilities;
- High equity returns applied to net investments;
- Generous incentive payments; and
- Large cost overruns.

New England Trans Cost Is Highest

Wholesale Power Cost Breakdown, 2010-2014 (\$/MWh)

- RTO Cost & Regulatory Fees
- Operating Reserves
- Ancillary Services
- Transmission
- Capacity
- Energy



Transmission

CAISO*
*(Does Not Include Tx)

Transmission Cost Overruns

- From 2004 through 2008 ranged from 30% to 408% of estimated cost
- 2007 through 2012
 - **69%** of the surveyed projects had in-service costs that exceeded planned costs by an average of **29%**,
 - 8% had zero expected cost overruns, and
 - 23% had expected in-service costs that were less than planned estimated costs by an average of 21%.

Implementing Competition

- Well established in energy markets that competition results in lower costs
- FERC Order 1000 directs competition in transmission
- ISO-NE should develop robust guidelines to facilitate competitive solicitation and evaluation process
 - More streamlined guidelines could be used for near-term needs
- **Cost Containment** in bids is critical component to avoid cost overruns