ISO–NE Implementation of Order 1000 – Developers Perspective

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Exceptions to Competition Under Order 1000

- FERC Order 1000 is intended to promote competition to the transmission side of the electric utility industry.
- Nonetheless it contains significant exceptions that favor incumbents and present barriers to new entry by non-incumbent transmission developers.
  - Transmission not subject to regional cost allocation.
  - Upgrades to existing facilities.
- And then there are added barriers specific to some RTOs.

Order 1000 contains significant provisions that favor incumbents and present barriers to competition.
FERC approved additional exceptions for ISO–NE version of Order 1000

- Grandfathered all Proposed and Planned Reliability Projects in RSP Project List comprising approx. 170 projects at an estimated cost of $2.4B
- Approved conditional exception where ROFR is maintained by the incumbents for solutions needed within 3-years
- The 3-year ROFR exception was supported by many stakeholders as a reasonable compromise, however that would not have been the case if stakeholders understood how ISO–NE intended to implement this provision

Customers, regulatory commissions and consumer advocates likely had no idea of the chilling effect these exceptions would have on competition.
Ordering Par. 235 – 240 set forth FERC’s rationale and expectations regarding maintaining this ROFR

- …it is just and reasonable to include a class of reliability-related transmission projects that are exempt from competitive solicitation
- However,…exception should only be used in certain limited circumstances.
- As such, FERC required a set of specific criteria to be satisfied in order for this provision to be invoked so as to place reasonable bounds on ISO–NE’s discretion to determine whether there is sufficient time to permit competition to develop reliability projects
- These criteria include more than simply determining a need exists within the 3–year window, and require ISO–NE to do more to justify why the solutions must be reserved for the incumbent PTOs

FERC expected the use of the 3–Year ROFR to be invoked on a limited basis.
Fact: most reliability needs (past and present) identified by ISO-NE fall within the 3-Year ROFR window or earlier

How is this provision being implemented?

- Recently ISO-NE presented new implementation procedures (not included in its Tariff) that are inconsistent with spirit and intent of the May 17 Order.
- Whenever Needs Assessments identify both time-sensitive needs and non-time-sensitive needs, ISO-NE is delaying competitive solicitations to first allow incumbent PTOs to design transmission solutions that address the time-sensitive needs.
- ISO-NE then re-evaluates the needs to determine if the time-sensitive solutions have impacted the original set of non-time-sensitive needs.
- 3-Year ROFR window is redefined beginning with completion date of re-evaluation which can result in reclassifying the non-time-sensitive needs as time-sensitive, thereby excluding them from competition.
- Procedure does not adequately justify why the time-sensitive solutions must be reserved for the incumbent PTOs as required by the May 17 Order.

ISO-NE’s new procedures ensure 3-Year ROFR will be the norm, not the exception for procuring reliability transmission solutions.
ISO–NE Implementation of Order 1000

- So far, ISO–NE has used this new procedure for 3 reliability studies/re–evaluations
  1. NH Reliability Study
  2. Maine 2023 Reliability Study
  3. SEMA/RI Reliability Study

- The incumbent PTOs designated by ISO–NE to develop the solutions for these time-sensitive needs have yet to complete the qualification process and be approved by ISO–NE and designated Qualified Transmission Project Sponsors as required by the May 17 Order (para. 240)

To-date ISO–NE has delayed competitive solicitations and invoked 3-Year ROFR exception in all post–Order 1000 Reliability Studies.
From non-incumbent transmission developers’ perspective, ISO-NE contains too many barriers to competition in transmission.

ISO-NE is the only region that has yet to conduct a competitive solicitation and the transmission portion of the bill in New England continues to rise.

Developers are reacting by pursuing opportunities in other RTOs.

Competitive transmission has been shown to lower costs for customers who pay the price in New England due to the lack of competition.

Consumers will pay the price until FERC takes action to remove these barriers and give competition a chance.

Commissions, consumer advocates, and ISO-NE need to work together to eliminate barriers to competition in New England.

Customers will continue to pay higher prices if the barriers to competitive transmission are allowed to remain.
PowerGrid Strategies, LLC

PowerGrid Strategies, LLC is an energy and transmission consulting firm that has advised and assisted numerous companies engaged in the electric power and transmission industry ranging from very large Fortune 200 companies to smaller start-up generation and transmission development companies.

Mr. Steven S. Garwood, founder, and President of PowerGrid Strategies has extensive experience working in the electric utility industry spanning a period in excess of 30 years. This includes 16+ years working for multiple electric utilities in a variety of capacities including staff and executive management positions, and 14+ years as an energy and transmission consultant assisting numerous clients including some of the largest electric utilities in the country, large and small independent generation and transmission developers, energy marketing firms, law firms, regulatory agencies and others engaged in the energy industry.

The services PowerGrid Strategies offers are diverse and include merger & acquisition support, due diligence support, expert witness and other litigation support services, development and implementation of business strategies, design and evaluation of energy and transmission policies, financial and economic analyses, generation and transmission project development support, cost–of–service and rate design, formula transmission rates, and auditing services, just to name a few.

PowerGrid Strategies has extensive knowledge and experience in regional tariffs across multiple RTOs and ISOs, specializing in transmission and interconnection matters having managed the entire interconnection phase of more than 50 renewable wind generation projects located throughout the United States including projects in ISO–NE, NYISO, PJM, MISO, Texas, Utah, New Mexico and Wyoming, as well as advised developers of several gas plants on interconnection matters.

On the Transmission Policy front, most recently PowerGrid Strategies has been instrumental with the evaluation and implementation of competitive transmission development rules and procedures stemming from FERC Order 1000, and is engaged in identifying potential competitive transmission opportunities for some of its clients.

For more information on how PowerGrid Strategies can bring value to your energy and transmission business, contact Steve Garwood at (207) 446–3057 or email him at sgarwood@powergridstrategies.com