



**To:** Rhode Island Public Utilities Commission

**From:** Richard Hahn, La Capra Associates, on behalf of the Division of Public Utilities and Carriers

**Re:** National Grid 2013-2014 Standard Offer Supply and Renewable Energy Standard (“RES”) Procurement Plans, Docket 4315

**Date:** September 20, 2013

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On September 17, 2013, National Grid filed a request with the Commission to alter its procurement schedule for standard offer service. I was asked to review this request by the Division. This request appears to restore the standard offer service procurement schedule what it was prior to the change made on August 13, 2013. I support this current request for the reasons described below.

#### Background

On or about June 28, 2013, ISO New England sought approval from the Federal Energy Regulatory Commission (“FERC”) to implement a new reliability program for the winter season of 2013/2014. In its filing, ISO New England proposed to recover the cost of this program in a manner that appeared to be inconsistent with previous practice. It was unclear at the time which recovery methodology FERC would approve. The uncertainty regarding cost recovery had the potential to increase the risk premiums in bids submitted to supply standard offer service. Because of this uncertainty, National Grid sought to delay previously scheduled procurements. Prior to the August 13<sup>th</sup> filing, I advised the Division that National Grid’s concern was valid and that a proposed delay was reasonable.

FERC has recently ruled on ISO New England’s application. The reliability program was approved but the recovery mechanism requested by ISO New England was not approved. FERC directed ISO New England to use a specific cost recovery for this program that was consistent with past practice. This decision now removes the uncertainty and the need to delay procurements of standard offer power supplies. The September 17<sup>th</sup> request by National Grid

simply restores the schedules for standard offer procurements for residential and commercial customers to what they would have been absent the ISO New England filing and the August 13<sup>th</sup> delay. Regarding the industrial procurement, the original change made in August resulted in a procurement for a two-month period, rather than the usual three months. This now leaves National Grid with a choice. It can procure one month's worth of industrial standard offer power supplies, or it can procure industrial standard offer power supplies for a four-month period. Each of these options will restore the procurement plan to the three month term that existed before the August 13<sup>th</sup> change. As I understand the September 17 filing, National Grid proposes to seek bids for terms of both one month and four months, and will make a decision on which to accept based on the bids received. If NGrid finds sufficient liquidity in the one month bids, the winning one-month bid will be accepted. If there is insufficient liquidity in the one-month bids, NGRID will accept the winning four-month bid. I had discussed this approach with the Division prior to the September 17<sup>th</sup> filing and believe that this is a reasonable approach. If the change requested on September 17<sup>th</sup> is approved, the procurement plans for standard offer service will return to the original approved schedule.