

September 17, 2013

**VIA HAND DELIVERY & ELECTRONIC MAIL**

Luly E. Massaro, Commission Clerk  
Rhode Island Public Utilities Commission  
89 Jefferson Boulevard  
Warwick, RI 02888

**RE: 2013 Standard Offer Service Procurement Plan – Schedule Revisions  
Docket No. 4315**

Dear Ms. Massaro:

National Grid's<sup>1</sup> Standard Offer Service ("SOS") procurement plan for 2013 was submitted in compliance with the provisions of R.I.G.L. §39-1-27.8 and approved by the Rhode Island Public Utilities Commission ("Commission") in Docket 4315. The Company is now submitting for the Commission's approval proposed changes to the approved procurement schedule, which is being proposed to address recent market changes that are described below.

Background

On June 28, 2013, the ISO-NE made a filing with the Federal Energy Regulatory Commission ("FERC"), in which ISO-NE proposed changes to its tariff that would establish a Winter Reliability Program and would permit the costs for that program to be allocated to Regional Network Load ("RNL") rather than Real Time Load Obligation ("RTLO").<sup>2</sup> On July 19, 2013, the Company filed a protest at FERC relative to the proposed cost-allocation provisions arguing that the FERC should reject ISO-NE's proposed cost allocation and direct that these costs be allocated to RTLO, which includes the Company's SOS suppliers. (The Winter Reliability Program's costs would be borne by end-use customers in either scenario, but the allocation method could affect SOS bid prices.) On August 9, 2013, the ISO-NE submitted an Exigent Circumstances filing to the FERC, requesting an Order approving the rules and cost allocation by September 6, 2013.

Out of a concern that the uncertainty caused by this unresolved cost-allocation issue would impact SOS bid prices and in light of a potential resolution of that allocation issue by September 6, 2013, the Company submitted a notification letter to the Commission on August 13, 2013 indicating that, with the agreement of the Division of Public Utilities and Carriers ("Division"), it was delaying certain August procurements under the SOS procurement plan (see Attachment 1).

On September 16, 2013, the FERC ruled on the ISO-NE filing and determined that these costs be allocated to RTLO.

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<sup>1</sup> The Narragansett Electric Company d/b/a National Grid ("National Grid" or "Company").

<sup>2</sup> The Winter Reliability Program is designed to maintain reliability during the cold-weather months of December 2013 and January and February 2014. The program consists of four components: a new demand response program, an oil inventory service, incentives for dual fuel units, and market monitoring changes. The program is filed in FERC Docket No. ER13-1851-000 et al.

Procurement Plan Revisions

After consultation with the Division, the Company, with the support of the Division and its consultant, is requesting Commission approval of the following revisions to the 2013 SOS Procurement Plan to reflect the re-scheduling of the delayed procurements:

- A revision to Schedule 2A of the procurement plan that would provide for the issuance of an RFP for a procurement of either a one-month or four-month Full Requirements Service (“FRS”) contract for the Industrial customer group to be awarded in October. In the event that the Company elects to procure only a one-month supply in October, it would issue an RFP for a three-month FRS contract, which would be done pursuant to the originally approved schedule.
- A revision to Schedules 2B and 2C of the procurement plan that would provide for the procurement of FRS contracts for the Residential and Commercial customer groups in October 2013. These contracts were postponed from August 2013 as described in the Company’s notification letter referred to above.

The revised plan schedules are included in this filing as Attachment 2.

As indicated above, the Division and its consultant have agreed with the Company on this proposed course of action, which the Company proposes in order to protect SOS customers from increased market costs. Because the Company hopes to award contracts on this re-scheduled round of procurement on or about October 2, it requests expedited review and approval of the proposed procurement plan modifications.

Thank you for your attention to this transmittal. If you have any questions, please feel free to contact me at (401) 784-7667.

Very truly yours,



Thomas R. Teehan

Enclosures

cc: Docket 4315 Service List  
Leo Wold, Esq.  
Steve Scialabba, Division  
Richard Hahn

Certificate of Service

I hereby certify that a copy of the cover letter and/or any materials accompanying this certificate were electronically transmitted to the individuals listed below. Copies of this filing were hand delivered to the Rhode Island Public Utilities Commission.

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Joanne M. Scanlon

May 15, 2013  
Date

**Docket No. 4315 National Grid – 2013 SOS and RES Procurement Plans  
Service List updated 5/15/12**

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**Thomas R. Teehan**  
Senior Counsel

August 13, 2013

**VIA HAND DELIVERY & ELECTRONIC MAIL**

Luly E. Massaro, Commission Clerk  
Rhode Island Public Utilities Commission  
89 Jefferson Boulevard  
Warwick, RI 02888

**RE: 2013 Standard Offer Service Procurement Plan – Schedule Modifications  
Docket No. 4315**

Dear Ms. Massaro:

Regarding National Grid's<sup>1</sup> Standard Offer Service ("SOS") procurement plan for 2013, submitted in compliance with the provisions of R.I.G.L. §39-1-27.8 and approved by the Rhode Island Public Utilities Commission ("Commission") in Docket 4315, the Company is notifying the Commission of a modification to the plan's procurement schedule due to a change in market conditions.

The Company consulted with the Rhode Island Division of Public Utilities and Carriers ("Division") today, and will implement a change to the 2013 SOS procurement plan, in response to a change in market conditions within Independent System Operator-New England ("ISO-NE"). The Division and its consultant have agreed with the Company on its proposed course of action, in order to protect SOS customers from increased market costs.

The change in market conditions is related to the ISO-NE's filing on June 28, 2013 with the Federal Energy Regulatory Commission ("FERC") for approval of revisions to its tariff to include a set of solutions to maintain reliability during the cold-weather months of December 2013 and January and February 2014 (the "Winter Reliability Program"). The Winter Reliability Program consists of four components: a new demand response program, an oil inventory service, incentives for dual fuel units, and market monitoring changes. The ISO-NE proposed that the Winter Reliability Program costs be allocated to Regional Network Load ("RNL") rather than Real Time Load Obligation ("RTLO"), to impose upon transmission customers the costs of a program that focused on procurement of adequate fuel supplies to avert the potential for generators to fall short of the energy production commitments over the upcoming winter months. In addition, on August 9, 2013, the ISO-NE submitted an Exigent Circumstances filing to the FERC, requesting an Order approving the rules and cost allocation by September 6, 2013.

The Company filed with the FERC on July 19, 2013 a "Motion to Intervene and Protest of National Grid USA and the Conservation Law Foundation Regarding Cost Allocation Provisions" and argued that the FERC should reject ISO-NE's proposed cost allocation and direct that these costs be allocated to RTLO. If the FERC approves ISO-NE's proposal to allocate these costs to RNL, then the costs would be recovered through transmission rates, while the Company's alternative proposal to allocate to RTLO would place the cost responsibility on suppliers. The Winter Reliability Program's costs will be borne by end-use customers in either scenario, but the allocation method could affect SOS bid prices.

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<sup>1</sup> The Narragansett Electric Company d/b/a National Grid ("National Grid" or "Company")

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Due to this change in market conditions and the uncertainty of cost allocation (RNL versus RTLO) pending the FERC's decision, the Company anticipates that bids in tomorrow's SOS solicitation are likely to be higher, reflecting the increased risk associated with the impact of the Winter Reliability Program costs. To avoid this potential for an increase in bid prices for SOS contracts, the Company will delay the solicitation and subsequent award of certain contracts for delivery during this winter period until such time the FERC makes its decision on cost allocation. Specifically, the Company will make the following changes to its 2013 SOS procurement plan:

- Delay the solicitation and subsequent award of two Residential customer group contracts (for the delivery period Jan 1, 2013 –June 30, 2014 and for the period July 1, 2013 – December 31, 2014)
- Delay the solicitation and subsequent award of the Commercial customer group contract (for the delivery period January 1, 2014 – June 30, 2014)
- Modify (shorten) the Industrial customer group transaction to two months (for the delivery period October 1, 2013 - November 30, 2013)

The Company will further consult with the Division after Standard Offer bid submittals tomorrow, and thereafter prepare a RFP Bid Summary for submittal to the Commission.

The Company intends to reissue a solicitation of the delayed contracts described above after the FERC issues its decision on the cost allocation of the Winter Reliability Program, which is expected by September 6, 2013.

Thank you for your attention to this transmittal. If you have any questions, please feel free to contact me at (401) 784-7667.

Very truly yours,



Thomas R. Teehan

Enclosure

cc: Leo Wold, Esq.  
Steve Scialabba, Division





