

April 30, 2014

VIA HAND DELIVERY & ELECTRONIC MAIL

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

RE: Docket 4491 - Long-Term Contracts for Renewable Energy Projects Pursuant to Rhode Island General Laws Section 39-26.1 et seq. Proposed Revised Timetable and Method of Solicitation and Execution Responses to Division Data Requests – Set 1

Dear Ms. Massaro:

On behalf of National Grid¹, I have enclosed ten (10) copies of the Company's responses to the Division's First Set of Data Requests in the above-referenced proceeding.

Thank you for your attention to this transmittal. If you have any questions, please contact me at 401-784-7288.

Very truly yours,



Jennifer Brooks Hutchinson

Enclosures

cc: Leo Wold, Esq.
Steve Scialabba, Division

¹ The Narragansett Electric Company d/b/a National Grid (the "Company").

Certificate of Service

I hereby certify that a copy of the cover letter and any materials accompanying this certificate was electronically transmitted to the individuals listed below. Paper copies of this filing are being hand delivered to the RI Public Utilities Commission and the RI Division of Public Utilities and Carriers.



Joanne M. Scanlon

April 30, 2014
Date

Docket No. 4491 National Grid – Revised Long-Term Contracting for Renewable Energy Projects Pursuant to R.I.G.L. Section 39-26.1 et seq. Service List updated 3/4/14

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Division 1-1

Request:

NGRID proposes an adjustment to the Contract Price to adjust that price in the event of a negative LMP. How does NGRID address this issue in the other jurisdictions (i.e., Massachusetts) where it signs PPAs? Please describe how this issue is addressed and provide copies of relevant documentation.

Response:

Massachusetts Electric Company and Nantucket Electric Company d/b/a National Grid recently received approval for three Power Purchase Agreements ("PPAs") for the long-term procurement of renewable energy and Renewable Energy Certificates ("RECs") from three individual wind projects. The projects were jointly selected for long-term contracts by National Grid, NSTAR Electric Company ("NSTAR Electric"), Western Massachusetts Electric Company ("WMECO"), and Fitchburg Gas and Electric Light Company d/b/a Unitil ("Fitchburg") (collectively, the "Distribution Companies") from the competitive bids obtained pursuant to a joint solicitation conducted by the Distribution Companies in 2013, as required by Massachusetts state law.

Below is an excerpt¹ from the publicly available revised joint testimony of the Distribution Companies filed with the Massachusetts Department of Public Utilities (D.P.U.) in D.P.U. 13-147, describing how the negative Locational Marginal Prices ("LMP") issue was addressed in that solicitation.

Q. Did the Distribution Companies note any other changes in the solicitation process in developing the short list?

- A. Yes, the Distribution Companies advised all bidders making the short list to consider an external market development when making their refreshed bids. After the Distribution Companies had issued the RFP but before the projects were selected, ISO New England Inc. ("ISO-NE"), the independent system operator that administers and operates under FERC supervision the bulk wholesale electricity markets in New England, filed with FERC revised market rules governing market prices for electricity delivered into ISO-NE's energy markets. In essence, the revised market rules, once accepted by FERC, introduce the possibility of negative energy prices for certain locational marginal prices ("LMP") in certain instances. Such instances include, for example, where load conditions across the region are particularly low or where

¹ The Company has omitted certain portions of the testimony that are not relevant to this response. A complete copy of the Distribution Companies' joint testimony can be located in D.P.U. 13-147 at http://www.env.state.ma.us/DPU_FileRoom/frmDocketListSP.aspx.

Division 1-1, page 2

transmission constraints might prevent the efficient delivery of energy generated at particular nodes on the grid. In other words, with the new revised LMP rules that allow for negative LMPs, energy delivered from a renewable project into the market at times of negative LMPs, instead of accruing credits (revenues) for the energy delivered would incur payment obligations to have ISO-NE accept the energy. The resulting possibility could, in effect, increase the cost of these fixed price PPAs to customers. The Distribution Companies sought to avoid this market risk on its customers occasioned by the market rule change.

Q. How did the Distribution Companies propose to protect their customers from the exposure created by the proposed change in ISO-NE's market rules?

- A. The Distribution Companies, through a proposed addition to the Draft PPA, advised each bidder making the short list of ISO-NE's proposed change in market rules and asked that any refreshed bid pricing incorporate this risk, in recognition that the Distribution Companies intended to insulate their customers from the liability of negative energy prices effectuated by the revised LMP market rule changes

November 21, 2013 Joint Testimony of Distribution Companies in D.P.U. 13-147
at pp. 29-30.

Division 1-2

Request:

NGRID proposes to prohibit Contract Prices that are contingent on the production tax credits, investment tax credits, or other tax subsidies. How does NGRID address this issue in the other jurisdictions (i.e., Massachusetts) where it signs PPAs? Please describe how this issue is addressed and provide copies of relevant documentation.

Response:

Massachusetts Electric Company and Nantucket Electric Company d/b/a National Grid recently received approval for three (3) Power Purchase Agreements ("PPAs") for the long-term procurement of renewable energy and Renewable Energy Certificates ("RECs") from three (3) individual wind projects. The projects were jointly selected for long-term contracts by National Grid, NSTAR Electric Company ("NSTAR Electric"), Western Massachusetts Electric Company ("WMECO"), and Fitchburg Gas and Electric Light Company d/b/a Unitil ("Fitchburg") (collectively, the "Distribution Companies") from the competitive bids obtained pursuant to a joint solicitation conducted by the Distribution Companies in 2013, as required by Massachusetts state law.

Below is an excerpt from the publicly available revised joint testimony filed by the Distribution Companies with the Massachusetts Department of Public Utilities (D.P.U.) in D.P.U. 13-147, stating how this issue was addressed:

Q. Do the Distribution Companies' customers bear any risk of price increases if these projects fail to qualify for tax credits?

A. No, the seller is responsible for qualification of their project to obtain tax credits. Thus, there is no adjustment to the contract price if they fail to do so.

November 21, 2013 Joint Testimony of Distribution Companies in D.P.U. 13-147 at pg. 40.

The Narragansett Electric Company
d/b/a National Grid
R.I.P.U.C. Docket No. 4491
Proposed Revision to RFPs for Long-Term Renewable Energy Contracts
Responses to Division's First Set of Data Requests
Issued April 9, 2014

Division 1-3

Request:

Does NGRID use a form of a standard contract for LTRE projects? If so, will that form be revised to reflect the two changes discussed in the above questions? Please provide a copy of the revised form of contract.

Response:

National Grid does not use a form of a standard contract for long-term renewable contracts in Rhode Island. To begin negotiations, National Grid uses PPAs that were previously approved by the Rhode Island PUC; these PPAs are customarily redlined to reflect terms of the specific project, any changes to the ISO New England market rules, and any other changes in the law.