

May 21, 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 Supplemental Response to Division Data Request 1-1**

Dear Ms. Massaro:

On behalf of National Grid<sup>1</sup>, I have enclosed ten (10) copies of the Company's supplemental response to Division Data Request 1-1 in the above-referenced proceeding.

Thank you for your attention to this transmittal. If you have any questions, please contact me at 781-907-2121.

Very truly yours,



Raquel J. Webster

Enclosures

cc: Leo Wold, Esq.  
Steve Scialabba, Division

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<sup>1</sup> 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

May 21, 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 Supplemental

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 the National Grid affiliates in Massachusetts, 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.

In that solicitation, the Distribution Companies asked bidders to take into consideration a contract price adjustment for negative market prices when submitting their refreshed bids. This is the same price adjustment proposed in the Rhode Island RFP. Thus, the proposed price adjustment in the 2014 Rhode Island RFP for Renewable Energy seeks bids that protect customers from negative locational marginal price ("LMP") risk, consistent with what was done in the Massachusetts solicitation.

Below is an excerpt<sup>1</sup> from the publicly available Draft PPA the Distribution Companies filed in the Massachusetts Department of Public Utilities' (D.P.U.) docketed proceedings, D.P.U. 13-146 - D.P.U. 13-148, containing the contract price adjustment for negative LMPs that bidders were instructed to consider when submitting their refreshed bids.

(c) In the event that the LMP for the Energy at the Delivery Point is less than \$0.00 per MWh in any hour, Seller shall credit or reimburse Buyer (at Buyer's discretion) the difference between \$0 and such negative LMP per MWh for that Energy for each such hour. Each monthly invoice shall reflect a credit or reimbursement for all hours in the

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<sup>1</sup> 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. 13-146 – 13-148 at [http://www.env.state.ma.us/DPU\\_FileRoom/frmDocketListSP.aspx](http://www.env.state.ma.us/DPU_FileRoom/frmDocketListSP.aspx).

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applicable month in which the LMP for the Energy at the Delivery Point is less than \$0.00 per MWh.

Examples. If delivered Energy equals 1 MWh and Price equals \$50.00/MWh:

LMP at the Delivery Point equals (or is greater than) \$0.00/MWh

Buyer payment of Price to Seller = \$50.00

Seller credit/reimbursement for negative LMP to Buyer = \$0.00

Net Result: Buyer pays Seller \$50 for that hour

LMP at the Delivery Point equals -\$150.00/MWh

Buyer payment of Price to Seller = \$50.00

Seller credit/reimbursement for negative LMP to Buyer = \$150.00

Net Result: Seller credits or reimburses Buyer:  $\$150 - \$50 = \$100$  for that hour

Below is an excerpt<sup>2</sup> from the publicly available revised joint testimony of the Distribution Companies filed in the Massachusetts Department of Public Utilities' (D.P.U.) docketed proceedings D.P.U. 13-146 - D.P.U. 13-148, 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 transmission constraints might prevent the efficient delivery of energy generated at

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<sup>2</sup> 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. 13-146 – 13-148 at [http://www.env.state.ma.us/DPU\\_FileRoom/frmDocketListSP.aspx](http://www.env.state.ma.us/DPU_FileRoom/frmDocketListSP.aspx).

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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. Dockets 13-146 --13-148 at pgs. 29-30.