

July 30, 2018

VIA HAND DELIVERY & ELECTRONIC MAIL

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

RE: Docket 4676 –National Grid’s Proposal to Bid Capacity of Customer-Owned Distributed Generation Facilities into the Forward Capacity Market 2018 Forward Capacity Market Annual Report

Dear Ms. Massaro:

In compliance with the Public Utilities Commission’s bench decision issued at its evidentiary hearing on February 17, 2017, I have enclosed ten copies of National Grid’s¹ annual report detailing the performance of the Forward Capacity Market program for the time period of February 17, 2017 through May 31, 2018.

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

Very truly yours,



Jennifer Brooks Hutchinson

Enclosures

cc: Docket 4676 Service List
Leo Wold, Esq.
Jon Hagopian, Esq.

¹ The Narragansett Electric Company d/b/a National Grid (National Grid or 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.

The paper copies of this filing are being hand delivered to the Rhode Island Public Utilities Commission and to the Rhode Island Division of Public Utilities and Carriers.



Joanne M. Scanlon

July 30, 2018

Date

**Docket No. 4676 National Grid – Forward Capacity Market Proposal
Service List updated 12/22/16**

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Forward Capacity Market Annual Report
Docket No. 4676
July 30, 2018

National Grid¹ is filing this report with the Rhode Island Public Utilities Commission (PUC) in compliance with the PUC's bench decision at the hearing on February 17, 2017 in Docket No. 4676, which required the Company to file the following annual reports (1) annual report every March 15 containing the Forward Capacity Market (FCM) auction results; and (2) annual report every July detailing the overall performance of the program for the prior year, including the monthly production from the facilities and the performance of facilities in the event of a Capacity Scarcity Condition (if any occur) (FCM Annual Report). Capitalized terms not defined herein shall have the meaning ascribed to such terms in the ISO New England Inc. Transmission, Markets, and Services Tariff.

Pursuant to the PUC's decision in the above-referenced docket, National Grid is providing the following results regarding the Company's performance in the FCM.

1. Calculation of Net FCM Proceeds
2. Incremental Administrative Costs
3. Company Incentive and Customer Share of Net FCM Proceeds

This is the first FCM Annual Report to be filed since the PUC's approval of the Company's FCM Proposal on February 17, 2017 in Docket No. 4676 and, therefore, will cover the Company's performance in the FCM for the time period of February 17, 2017 through May 31, 2018 (referred to herein as the 2018 FCM Annual Report). In the future, the Company intends for the FCM Annual Report to cover the time period spanning June 1 through May 31 of the applicable calendar years in order to align the report with the annual FCM Capacity Commitment Periods.²

1. Calculation of Net FCM Proceeds:

This 2018 FCM Annual Report is intended to report on the Company's performance in the last Capacity Commitment Period, which, for the 2018 FCM Performance Report, is Capacity Commitment Period 8.³ Due to the forward-looking nature of the FCM, and the

¹ The Narragansett Electric Company d/b/a National Grid (referred to herein as National Grid or the Company).

² For instance, under the proposed reporting timeline, the Annual Report to be filed in 2019 would cover the time period spanning June 1, 2018 through May 31, 2019, in order to match the timing of FCM Capacity Commitment Period 9.

³ Capacity Commitment Period 8 spans the period of June 1, 2017 through May 31, 2018.

timing of the Forward Capacity Auction (FCA) and Reconfiguration Auctions, there is no revenue to report for Capacity Commitment Period 8. In 2017, the Company submitted Show of Interest and Qualification proposals⁴ for an initial set of solar distributed generation (DG) facilities in FCA-12,⁵ which is for the delivery of capacity in the period spanning June 1, 2021 – May 31, 2022. After qualification in FCA-12, the first opportunity to monetize this capacity was in Monthly Reconfiguration Auctions for the summer performance months during the June 2018 – May 2019 Capacity Commitment Period. As a result, there is no FCM revenue to report in the 2018 FCM Annual. Moving forward, all future FCM Annual Reports will report on revenue received for the most recent Capacity Commitment Period, the performance of each facility during Capacity Scarcity Conditions (if any occur), as well as the FCM Revenue Forecast for the next Capacity Commitment Period.⁶

Forecast of Net FCM Proceeds - Capacity Commitment Period 9 (June 1, 2018-May 31, 2019)

As noted above, the first opportunity for the solar facilities that were bid in FCA-12 to receive revenue is in the monthly reconfiguration auctions for the 2018 summer performance months. Table 1 below provides a forecast of the revenue for the period of June 1, 2018 – May 31, 2019.⁷ The Monthly Reconfiguration Auctions for June, July August, and September of 2018 have already occurred and the forecast of the Net FCM Proceeds is based on a known Capacity Supply Obligation MW quantity and auction price. Not all solar facilities receive a Capacity Supply Obligation every month. For instance, if a facility appears to be underperforming relative to its Capacity Supply Obligation or displaying evidence of sustained outages, the Company may choose to forego acquiring a Capacity Supply Obligation in any given month. To date, three facilities forgone participation in the Monthly Reconfiguration Auctions June, July, August and September (FCM Resource IDs 38855, 38864, 38833 and 38833 respectively).

⁴ Prior to bidding in a FCA, a project must submit documentation to ISO-NE in the Show of Interest and Qualification filings, which are due in April and June, respectively. The FCA then occurs in February of the following calendar year and is for delivery of capacity three years in the future. Once a facility has qualified for the Forward Capacity Auction, the first opportunity to monetize capacity following qualification is in the June Reconfiguration Auctions of the following calendar year.

⁵ FCA-12 covers the time period spanning June 1, 2021 – May 31, 2022.

⁶ To date, there have been no known Capacity Scarcity Conditions.

⁷ The solar facilities are qualified as summer-only Intermittent Settlement Only Resources and only obtain a Capacity Supply Obligation in the summer months of June – September.

Table 1: Estimated FCM Revenue for Capacity Commitment Period 9

FCM Resource ID	Program	June 2018		July 2018		August 2018		September 2018		Total
		CSO (MW)	Capacity Base Payment (\$)	CSO (MW)	Capacity Base Payment (\$)	CSO (MW)	Capacity Base Payment (\$)	CSO (MW)	Capacity Base Payment (\$)	
38833	DGSC	0.184	\$644	0.184	\$828	0	\$0	0	\$0	\$1,472
38834	DGSC	0.855	\$2,993	0.855	\$3,848	0.855	\$2,993	0.855	\$2,993	\$12,826
38842	DGSC	1.484	\$5,194	1.484	\$6,679	1.484	\$5,194	1.484	\$5,194	\$22,261
38843	DGSC	0.850	\$2,975	0.850	\$3,826	0.850	\$2,975	0.850	\$2,975	\$12,751
38853	DGSC	0.211	\$739	0.211	\$950	0.211	\$739	0.211	\$739	\$3,165
38855	DGSC	0	\$0	0.042	\$189	0.042	\$147	0.042	\$147	\$483
38858	DGSC	0.552	\$1,932	0.552	\$2,485	0.552	\$1,932	0.552	\$1,932	\$8,281
38860	DGSC	0.187	\$655	0.187	\$842	0.187	\$655	0.187	\$655	\$2,805
38861	DGSC	0.125	\$438	0.125	\$563	0.125	\$438	0.125	\$438	\$1,875
38862	DGSC	0.199	\$697	0.199	\$896	0.199	\$697	0.199	\$697	\$2,985
38864	DGSC	0.108	\$378	0	\$0	0.108	\$378	0.108	\$378	\$1,134
38865	DGSC	0.412	\$1,442	0.412	\$1,854	0.412	\$1,442	0.412	\$1,442	\$6,180
38867	DGSC	0.134	\$469	0.134	\$603	0.134	\$469	0.134	\$469	\$2,010
38868	DGSC	0.459	\$1,607	0.459	\$2,066	0.459	\$1,607	0.459	\$1,607	\$6,885
38869	DGSC	0.200	\$700	0.200	\$900	0.200	\$700	0.200	\$700	\$3,000
38881	DGSC	0.202	\$707	0.202	\$909	0.202	\$707	0.202	\$707	\$3,030
38883	DGSC	0.475	\$1,663	0.475	\$2,138	0.475	\$1,663	0.475	\$1,663	\$7,125
38884	DGSC	0.466	\$1,631	0.466	\$2,097	0.466	\$1,631	0.466	\$1,631	\$6,990
38885	DGSC	0.471	\$1,649	0.471	\$2,120	0.471	\$1,649	0.471	\$1,649	\$7,065
38925	RE Growth	0.085	\$298	0.085	\$383	0.085	\$298	0.085	\$298	\$1,275
38949	RE Growth	0.099	\$347	0.099	\$446	0.099	\$347	0.099	\$347	\$1,485
38950	RE Growth	0.097	\$340	0.097	\$437	0.097	\$340	0.097	\$340	\$1,455
Monthly CSO (MW)		7.855		7.789		7.713		7.713		
Monthly Auction Price (\$/MW-month)			\$3,500		\$4,501		\$3,500		\$3,500	
Expected CCP9 Capacity Revenue (\$)			\$27,493		\$35,058		\$26,996		\$26,996	\$116,542

It is important to recognize that the above represents monthly FCM Capacity Base Payments (which is the Capacity Supply Obligation MW multiplied by the auction clearing price).⁸ Additionally, all capacity resources are eligible to earn Capacity Performance Payments or penalties under the FCM Pay for Performance rule⁹ which are determined by the solar facility's performance during a Capacity Scarcity Condition, if any occur during the relevant Capacity Commitment Period.¹⁰ To date, there have been no known Capacity Scarcity Conditions.

Capacity Scarcity Conditions

All future FCM Annual Reports will include details of the actual achieved Net FCM Proceeds, as well as details on any Capacity Scarcity Conditions that occur and the performance of each solar facility during those Capacity Scarcity Conditions.

2. Incremental Administrative Costs

The administrative costs reported in Table 2, below cover FCA-12 qualification activities in the time period of February 17, 2017 – May 31, 2018. An external contractor was hired to assist with FCA qualification tasks. Internal administrative costs are attributed to the preparation of qualification materials as well as the ongoing monitoring of facilities and portfolio management activities.

In the future, the FCM Annual Report will cover the administrative costs incurred during a 12 month period, June 1 through May 31 of the following calendar year in order to be consistent with the FCM commitment period.

⁸ ISO-NE applies a deduction known as the Average Monthly Peak Energy Rent (PER) to the Capacity Base Payments of the solar facilities. Peak Energy Rent is meant to provide a hedge for load against high energy prices and is calculated when there is an hourly Real-Time energy price that is higher than a pre-determined strike price. For a more detailed description of ISO-NE's implementation of PER, please refer to Section III of ISO New England Inc. Transmission, Markets, and Services Tariff, Market Rule 1, III.13.7.1.2, at https://www.iso-ne.com/static-assets/documents/2014/12/mr1_sec_1_12.pdf.

⁹ The Pay for Performance rule went into effect on June 1, 2018. For a detailed description of ISO-NE's implementation of the new rules, please refer to ISO-NE's compliance filing on the rule change, "ISO New England Inc., Docket Nos. ER14-2419-002, EL14-52-000; 30-Day Compliance Filing to Revise Tariff section III.13.7," at https://www.iso-ne.com/static-assets/documents/2014/11/er14-2419-002_11-3-14_two-settlement_market_compliance_filing.pdf.

¹⁰ Solar DG resources with a Capacity Supply Obligation can only earn penalties if a Capacity Scarcity Condition occurs during the summer performance months of June – September in which they have a Capacity Supply Obligation. In all other months, the solar DG resources are eligible to earn Performance Incentive payments if a Capacity Scarcity Condition occurs coincident with solar production, but cannot earn penalties, as the resources do not have a Capacity Supply Obligation in those months.

Table 2: Incremental Administrative Costs (March 1, 2017 to May 31, 2018)

Category	DG Standard Contract Program	RE Growth Program	Total
Internal Labor	\$16,098.38	\$6,773.55	\$22,871.93
Internal Overhead	\$10,911.53	\$5,132.56	\$16,044.09
External Contractor Services	\$12,259.59	\$0.00	\$12,259.59
Total Incremental Labor Resource Expense, March 1, 2017-May 31, 2018	\$39,269.50	\$11,906.11	\$51,175.61

3. Company Incentive and Customer Share of Net FCM Proceeds

Pursuant to the PUC’s decision in Docket No. 4676, the Company is entitled to retain 10% of Net FCM Proceeds. Customers receive the remaining 90% of Net FCM Proceeds, net of any administrative costs. Since there was no FCM revenue associated with the prior Capacity Commitment Period, there are no proceeds to report at this time. If there are Net FCM Proceeds in the future, the FCM Annual Report will provide information on the calculation and outcome of the 90/10 split.

Table 3: Customer Share of Net FCM Proceeds (March 1, 2017 to May 31, 2018)

Category	Proceeds
Net FCM Proceeds	\$0.00
10% Company Incentive	\$0.00
Administrative Costs	(\$51,175.61)
Customer Share of the Net FCM Proceeds	(\$51,175.61)