Via US Mail and Electronic Mail

November 13, 2015

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1 NSTAR Way, NE220
Westwood, MA 02090

John Vaughn, Vice President Energy Procurement
National Grid
100 Old Country Road, 2nd Floor,
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Request for Proposals Pursuant to D.P.U. 15-37

Dear Mr. Daly and Mr. Vaughn:

Acadia Center, Next Step Living, Northeast Clean Energy Council, NuPower Thermal, RENEW Northeast, and Vermont Energy Parks recently learned of the October 23, 2015 Request for Proposals issued by Eversource Energy and National Grid, seeking "proposals for interstate capacity/gas supplies to further the goals of reduction of the cost of electricity and increasing the reliability of the New England electric system to benefit electric distribution customers." (RFP at 1) This RFP cites the October 2, 2015 Order by the Massachusetts Department of Public Utilities ("DPU") in D.P.U. 15-37 as the source of these electric utilities' authority to seek such contracts.[1] We have significant concerns about the limited nature of and the timeframe for this RFP and the potential for projects solicited through it to be approved by the DPU, without adequate consideration of other options.

Specifically, by seeking only pipeline expansion projects, LNG supply, and storage of natural gas, the RFP omits from competition alternative, reliable, and low-cost resources that are available to National Grid and Eversource. As the attached Acadia Center analysis demonstrates, demand-side alternatives to additional gas capacity are likely more cost-effective, reduce costs of infrastructure, and have already reduced energy and peak demand sufficiently that the challenge D.P.U. 15-37 was intended to address is declining over time. Given that, in any filing for approval of long-term gas capacity contracts, the EDCs must make a showing to the DPU that they evaluated "all energy resources reasonably available in the market that have the potential to address the objective of providing electricity at a reasonable cost…", a solicitation seeking options to satisfy the needs of the <u>electric</u> grid must not bar the participation of <u>electric</u> resources. (Order at 45). A solicitation that restricts such competition cannot be considered a fair and reasonable procurement that places the interests of Massachusetts ratepayers ahead of the companies' shareholders.[2]

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[1] We note that this Order has recently been appealed to the Supreme Judicial Court, and a final determination of the DPU's authority to approve such contracts is still months away.

[2] As the DPU noted, Eversource argued in its comments in D.P.U. 15-37 that EDCs should demonstrate that the proposed contract is the product of a fair and reasonable procurement solicitation process, and that shareholder interests are not placed ahead of ratepayer interests. (Order at 39) Because this RFP bars reasonably available alternatives, it fails under both points.

Accordingly, we seek to clarify that electric market alternatives such as energy efficiency, renewable energy, combined heat and power, demand response, electric storage, and other reasonably available resources may also participate in this RFP. We request that these resources be afforded the opportunity to participate through an extension of the response date by at least two months, broadening the scope of the RFP so that all resources can compete on an equal basis, and better publicity of the solicitation to allow reasonable competition.

The DPU Requires Consideration of Alternatives

In its October 2, 2015 Order, the DPU determined that it has the legal authority under G.L. c. 164, §94A to review and approve long-term contracts entered into by Electric Distribution Companies ("EDCs") for gas capacity. (Order at 19) In evaluating such contracts, the DPU notes that it will require EDCs to demonstrate "that the proposed agreement compares favorably to the range of alternative reliable and least-cost resource options reasonably available to it [the EDC] at the time of acquisition or contract renegotiation." (Order at 45). As the DPU clarified, "such alternative options include all energy resources reasonably available in the market that have the potential to address the objective of providing electricity at a reasonable cost and that compare favorably in terms of price and non-price factors." (*Id.*) Plainly, the universe of energy resources available to an EDC "in the market" extends well beyond natural gas, and should at least begin with electric resources.

We need only look to neighboring states to see that procurements of resources to address electric market prices need not focus solely on natural gas and exclude electric solutions. Connecticut's approach to addressing the same winter pricing and reliability issues that triggered D.P.U. 15-37 also enables alternative resources to compete. Connecticut has proposed separate RFPs, seeking both large-scale clean energy (up to 2,750 GWh per year) and small-scale clean energy, including demand response, energy efficiency, and energy storage, in addition to natural gas resources.[3]

It makes little sense for Massachusetts' RFP to ban or limit competition. Massachusetts EDCs have a longstanding commitment to energy efficiency and successful relationships with efficiency vendors, with whom they could easily partner for this venture as well. Renewable energy is also available for EDCs to procure at competitive prices, as demonstrated in the 2013 procurement of wind energy by Massachusetts EDCs,[4] and the proposed joint RFP by Massachusetts, Connecticut and Rhode Island.[5] The EDCs are also actively pursuing ways to engage in more active demand reduction and demand response – as evidenced in their 2016-2018 Energy Efficiency Investment Plans, filed with the DPU in recent weeks. Allowing demand response providers to compete in this RFP would only further support demand response initiatives in the efficiency plans. Enabling participation from energy storage providers would align with the goals of the recently announced Energy Storage Initiative by "[e]xpanding markets for storage technologies, and valuing storage benefits to clean energy integration, grid reliability, system wide efficiency, and peak demand reduction."[6] Overall, expanding the scope of competition in this RFP would better align with the Baker Administration's emphasis on energy efficiency, demand response, and energy storage, and allow the Commonwealth to look to the future of energy and prioritize indigenous resources that provide local benefits.

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[3] CT Department of Energy & Environmental Protection's August 31, 2015 Notice of Proceedings and Opportunity for Public Comment, available at: https://cleanenergyrfpdotcom.files.wordpress.com/2015/09/notice-of-proceedings-and-opportunity-to-comment-08-31-15.pdf.

[4] See: http://www.mass.gov/eea/docs/dpu/electric/13-147-initial-filing-9-20-13.pdf

[5] See: http://cleanenergyrfp.com/

[6] http://www.mass.gov/eea/energy-utilities-clean-tech/renewable-energy/energy-storage-initiative/

Fair Consideration of Alternatives Requires More Time and Competition

In this RFP, the utilities limited their solicitation to a particular set of resources, gave notice to no other resources, and established a timeline so short that only their partners could submit timely responses. The RFP not only pre-judges the results by effectively barring competition, but also virtually guarantees that the Commonwealth's ratepayers will pay more than necessary to achieve a reliable winter energy supply.

The RFP seeks responses by noon on November 13, 2015, allowing, at most, three weeks for bidders to put together their application. Since the RFP was sent, as the cover letter indicates, only to "providers of gas infrastructure in New England," it is highly likely that only a narrow circle of potential bidders learned of the RFP with sufficient time to consider participation. Moreover, at least two potential providers, one of whom is in partnership with these utilities, already had proposals on the table and did not have to pull together any new information for the proposal.[7] The most effective way for the EDCs to ensure that this procurement is transparent and avoids conflicts of interest, as required under the Order, is to open it up to competition from alternatives and provide a fair chance to compete, including extending the deadline and broadening notice.[8]

Other solicitations have allowed significantly more time for responses. For instance, ConEd's 2014 request for information, soliciting demand management alternatives in Brooklyn/Queens, had a two-month response window.[9] Providing adequate time for informed and competitive responses did not slow down the process – in fact, the New York Public Service Commission issued an order approving the demand management program, including 52 MW of non-traditional solutions, less than three months after the RFI closed.[10]

In this circumstance, given the importance of providing a reliable electric system to ratepayers that meets state policy goals at the lowest cost, both now and in the future, the RFP should be reissued with terms that allow for competition (MW, MWh or MMBTU needed, rather than specifically cubic feet of natural gas) and allow at least two months for responses. Together with better public notice and distribution of the solicitation, this will allow the sort of competition that enables procurement of the most cost-effective and reliable resources.

Conclusion

The undersigned respectfully request that National Grid and Eversource re-issue the October 23, 2015 RFP to include consideration of all alternative, reliable and least-cost resource options that are available to the utilities. By broadening the terms to allow participation of electric market alternatives such as energy efficiency, renewable energy, combined heat and power, demand response, energy storage, and other reasonably available resources, extending the response date by at least two months, and better publicizing the solicitation to allow reasonable competition, these EDCs can ensure that Massachusetts is utilizing resources that benefit ratepayers and the Commonwealth.

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[7] Access Northeast, co-developed by Eversource, National Grid and Spectra Energy; as well as Tennessee Gas Pipeline Company's Northeast Direct Pipeline Project.

[8] As the DPU noted in its Order, "[i]n satisfying the public interest standard set forth above, an EDC seeking Department review and approval of a gas contract must include with its filing materials that demonstrate a competitive and transparent procurement, that avoid conflicts of interest, and that allow for consideration of procurement by entities other than EDCs." (Order at 44).

[9] The RFI issued on July 15, 2014, with submissions due September 15th.
http://www.coned.com/energyefficiency/Documents/Demand_Management_Project_Solicitation-RFI.pdf

[10] The PSC's Order in Case 14-E-0302 issued on December 12, 2014. See: http://breakingenergy.com/2014/12/22/ny-psc-approves-con-edison-bqdm-program/.

Sincerely,

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