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October 14, 2015

Via Hand-Delivery and Electronic Mail

NHPUC 14OCT'15PM3:02

Ms. Debra A. Howland, Executive Director
New Hampshire Public Utilities Commission
21 Fruit Street, Suite 10
Concord, NH 03301

Re: IR 15-124—investigation into Potential Approaches to Mitigate Electricity Prices

Dear Ms. Howland:

Enclosed for filing in the above-captioned docket are an original and six copies of the Reply of the New England Power Generators Association to Staff's Report issued September 15, 2015.

Please contact me if you have any questions in this regard. Thank you for your assistance.

Very truly yours,

Carol J. Holahan

cc: Service List IR 15-124 (electronic mail only)

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October 15, 2015

Debra A. Howland
Executive Director
New Hampshire Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, NH 03301

Re: *Investigation into Potential Approaches to Mitigate Wholesale Electricity Prices,* Docket IR 15-124

Dear Ms. Howland,

The New England Power Generators Association, Inc. (NEPGA) appreciates the opportunity to provide this comment in response to the New Hampshire Public Utilities Commission (PUC) Staff Report on its Investigation into Potential Approaches to Mitigate Wholesale Electricity Prices. NEPGA is the trade association representing competitive electric generating companies in New England. NEPGA's member companies represent approximately 25,000 megawatts (MW) of generating capacity throughout New England, including over 2,700 MW of generation in New Hampshire, or 66 percent of the electric generating capacity in the state. NEPGA's New Hampshire companies provide power for the state from a diverse portfolio of plants, providing over $46 million annually in state and local taxes and nearly 800 well-paying and skilled jobs. NEPGA's mission is to promote sound energy policies which will further economic development, jobs and balanced environmental policy.[1]

Comments

NEPGA is disappointed with the findings laid out in the Staff Report finding that out-of-market actions are appropriate to meet consumer demand cost-effectively. As stated in NEPGA's initial comments in this docket, NEPGA fundamentally opposes subsidies and out-of-market solutions that impact competitive wholesale electricity market outcomes. NEPGA therefore remains concerned with proposals to use electric distribution company (EDC) rates to subsidize the financing of new natural gas pipeline capacity into New England. For the most part, pipelines into New England have traditionally been contracted for through gas utility local distribution companies (LDCs). Such contracting is currently being used for the development of a substantial amount of new pipeline

[1] The comments expressed herein represent those of NEPGA as an organization, but not necessarily those of any particular member.

capacity. NEPGA believes relying on this traditional model is preferable to the proposed EDC pipeline financing mechanism. To the extent that there is a need demonstrated in a state (or states) to provide incremental natural gas supplies for electric generation reliability purposes, NEPGA does not oppose using LDCs as a counterparty to support prudent investment in interstate pipelines. Any LDC procurement along these lines, however, should focus on reliability needs and not be done to expressly suppress competitive electricity prices, as such actions interfere with the proper functioning of the wholesale electricity markets under FERC jurisdictional tariffs.

NEPGA stands by the analysis that we've provided[2] and would also highlight studies examining the reliability of the overall electricity system by others.[3] A further analysis on New England electric reliability and the impacts of fuel supply is currently being conducted by the Massachusetts Attorney General's Office and NEPGA encourages the PUC to consider it upon its completion. NEPGA continues to believe that the competitive electricity market structure will support reliability and appropriate investment to ensure that power generation facilities meet their delivery obligations to meet consumer demand.

The competitive electricity markets in New Hampshire and New England are also driving striking outcomes in 2015 for consumers. Already this year ISO New England has reported five of the seven lowest wholesale electricity price months since the markets began as we know them. In fact, June represented the lowest wholesale electricity and wholesale natural gas price month since 2003. This is all being done in a market that is experiencing older, less efficient power plants retiring with new investments coming into the region through the competitive market.

Quoting from NEPGA's reply comments to a PUC Staff legal memo filed in this docket, "There is no question that New England's energy markets are in a time of transition and yet for even in this period of flux to see the pricing experienced in 2015 is nothing short of remarkable. It is also in this environment that ISO-NE is seeing a record turnout of interest for new generation to participate in the upcoming forward capacity auction (FCA 10). New plant investments are being announced almost on a weekly basis. Importantly, the 1,800 MW of plants that have been selected in recent capacity auctions as well as the ones attempting to bid into FCA 10 are doing so without subsidized long-term contracts. **<u>The market is working.</u>**" (emphasis added, citations omitted)

[2] See Susan F. Tierney Report, http://nepga.org/2015/09/tierney-report-on-ma-emissions-cost-of-hydro-contracting/

[3] See Energyzt Report, http://www.gdfsuezna.com/media/files/files/908b26be/ENERGYZT_Report_Winter_Reliability_Analysis_FINAL_082015.pdf

With these facts, it is difficult to see how the type of out-of-market intervention contemplated in the Staff Report is justified.

NEPGA also raised significant concerns with the legal basis for embarking on a new contracting structure to underwrite natural gas pipelines using electric utility customer rates. NEPGA submitted a legal analysis of a Staff Memo posted in the docket on July 10, 2015. Our analysis raised concerns that this type of contracting:

1. Violates the letter and spirit of the Restructuring Act;
2. The PUC is not authorized to provide for the recovery of costs and such a plan requires EDCs to discriminate among potential bidders in a manner prohibited by the Natural Gas Act as administered by the Federal Energy Regulatory Commission;
3. If the ultimate plan to implement this framework involves transactions between affiliates, it potentially runs contrary to the PUC's newly adopted rules on affiliate transactions; and
4. The concept is contrary to sound public policy relating to the competitive electricity markets.

Our concerns stand with respect to the jurisdictional approach taken in the Staff Report, similar to the Staff Memo.[4] Stated simply, there does not appear to be a sound legal basis to use existing authority to engage in the type of EDC contracting for natural gas pipeline capacity. While NEPGA has grave concerns with this type of action on a policy basis, to the extent New Hampshire decides to move forward it clearly at the very least requires an affirmative action by the legislature.

For the foregoing reasons and for the others highlighted by NEPGA in its prior pleadings in this docket, NEPGA does not support the findings of the Staff Report.

Respectfully submitted,

Dan Dolan
President

[4] NEPGA's analysis is being resubmitted as an attachment to these comments.