

**New Hampshire Energy Planning Advisory Board
Stakeholder Forum
Comments by Public Service Company of New Hampshire**

Background:

- New Hampshire has “Open Access” to retail electric energy markets; except in areas served by Municipal Electric Departments
- State regulated electric utilities are responsible for providing “default energy service” to their retail customers who are not receiving energy service from a unregulated competitive energy supplier
- Over 70% of the electric generation capacity located in New Hampshire is from “merchant” generating plants and over 90% of the electric generation capacity in New England is from “merchant” generating plants; merchant generating plants are not subject to state rate regulation
- ISO-NE projects New England electric capacity shortages during peak load periods within 2 years
- State regulated utilities in New England, except Vermont, are precluded by law or state policy from building or acquiring new electric generation facilities
- New England operates as a single interconnected wholesale electric market with “locational” and “nodal” prices within each state
- New England has become increasingly dependent on natural gas as a fuel for electric generation and New England wholesale electric market prices are largely set by the price of natural gas, and oil
- New England is among the highest priced electric energy markets in the United States
- The Federal Energy Regulatory Commission has approved the “LICAP Settlement” to increase the prices that generation owners receive within the New England wholesale market for their generation capacity in order to encourage new generation in New England and to avoid shutting down existing generation located in key areas of New England
- PSNH continues to own state regulated generation plants which are among the lowest cost plants in New England but since the total capacity of the plants are less than the electric load served; PSNH purchases in excess of 30% of the default energy service requirements of its customers from the wholesale New England energy market
- Through federally regulated rates, several merchant plant owners have obtained special “reliability must run” or “uplift” revenues from New England electric consumers through charges by the ISO-NE to “load holding entities” or “transmission network loads” in order to keep the plants operating when needed.

Statement of Problem:

After approximately ten years from the time New England first began to restructure its retail electric industry, New England continues to have among the highest electric prices in the nation and is on the edge of electric supply shortages.

Unlike the pre-restructuring model, no one in New England is directly responsible for ensuring that future electric generation is built. The original theory was that the unregulated market would provide price signals that would result in generation adequate to meet reliability requirements. However, several new merchant plants built under that theory have either failed to meet their financial expectations or failed entirely as a business. Essentially no new major power plants are currently under development in New England. It can take 3-7 years to build a new generation plant.

Most major state regulated utilities in New England were forced to sell their generation plants and have since been precluded from owning or acquiring generation that could help alleviate the emerging reliability or price concerns in New England. While PSNH has not been forced to sell its generation plants, largely due to the low cost of power from the plants; PSNH has been precluded by the State from acquiring, owning or building new generation capacity; particularly through small scale renewable energy projects.

The New England electric utility market is increasingly coming under the control of the Federal Energy Regulatory Commission. Therefore the role that State government assumes in energy policy is diminishing; both due to federal regulation and state policy that precludes its state's utilities from solving key energy issues. State control has changed from regulating all major functions of a utility (generation, transmission, and distribution) to only regulating the distribution functions of a state utility.

Environmental and siting standards have been tightening nationally and have become even more restrictive in New England making it increasingly difficult to site new generation or to operate existing generation; including new renewable generation.

In New Hampshire, legislative support for energy efficiency programs appears to be waning as energy efficiency funding has been diverted to fund low income energy assistance programs; even though rising energy costs and increased emphasis on environmental improvements would otherwise further encourage increased energy efficiency programs.

Proposed Actions by New Hampshire Policy Makers:

- Continue the policy of maintaining an "open access" to retail electric energy markets
- Remove the restriction to state regulated utilities ownership of electric generation for the purpose of providing required "default energy service" thereby creating the opportunity for both unregulated "merchant" generation and state regulated generation in New England; both operating under the wholesale market rules set by the Federal Energy Regulatory Commission
- Provide a foundation whereby the New Hampshire Public Utilities Commission may approve new generation owned by a state regulated utility provided the generation is in the public interest

- Provide for the installation and ownership of peaking generation by a state regulated utility for the purpose of meeting electric system or supply reliability
- Establish a “renewable portfolio standard (RPS)” in New Hampshire that encourages new renewable generation provided that regulated utilities are allowed to acquire or own new renewable generation assets to meet this new standard and State agencies support appropriate siting and permitting
- Maintain or increase funding available for energy efficiency programs

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