

# Eversource Default Service Procurement

November 10, 2022

## Success of Competitive Market Solicitations for Default Service Is No Longer Assured

- The failure of the wholesale market is affecting solicitations for default service supply across New England jurisdictions.
  - Insufficient number of bidders and bids
  - Price offers are inordinately high, and not reasonably reflective of actual market prices
  - Bids may not cover the full load requirements solicited, leaving some load unfulfilled
- Eversource's experience in recent solicitations in Connecticut & Massachusetts is causing concern for the upcoming PSNH bid process.
  - In NH, **100%** of default service load is procured in December, for six-month contract starting February 1.
    - Residential and Small Commercial: 8 tranches each providing 12.5% of load – doubled from 4 tranches of 25% each to diversify risk and make bidding more attractive
    - Large Commercial & Industrial: 1 tranche of 100% of load
- *To protect the interests of customers, flexibility and close coordination in the procurement process is an imperative.*

## Experience with Recent Procurements & Expectations for NH

- Connecticut Light & Power (1.3 million customers)
  - Received bids on three tranches representing 30% of total customer load (residential and small C&I – no bids received for Large C&I).
    - Accepted only one bid covering 10% out the 30% load solicited
    - Other bids priced far above proxy price – bids rejected
  - Remaining 20% of load will be served through Eversource purchases in the day-ahead market
  - Consensus decision made by PURA, OCC and Eversource
- NSTAR Electric (1.3 million customers)
  - In anticipation of failed/limited solicitation results, DPU approved procurement plan for Eversource to purchase supply in the day-ahead market (currently in use for NEMA zone)
  - DPU and AG staffs jointly assessed bids for consensus result
  - Received sufficient bids to cover all NSTAR West load solicited; bid prices were aligned with high-end of Eversource proxy price, except for Large C&I bid over proxy range (ultimately accepted)
- Public Service Company of New Hampshire (523,000 customers)
  - *RFP Issued 10/27/22; Bids will be received 12/6/22*
  - *Experience indicates possibility of only 1-2 bidders and prices outside acceptable range*
  - *Need flexibility to walk away from unacceptably high price offers*

# Procurement Process Considerations

- RFP issued 10/27/22
- Deadline for bids is 10 a.m. on 12/6/22. *Eversource must execute contracts by 3 p.m. so that suppliers can lock-in bid prices.*
- Filing for approval submitted to PUC on 12/8/22.
- Hearing and PUC decision in short time frame (hearing 12/13, approval requested by 12/15).
- If contracts are ultimately rejected by PUC, supply risk is multiplied exponentially for customers.
  - Eversource cannot go back and re-engage rejected bids
  - Commission's rejection will resonate in market and potentially inhibit further bids due to heightened sense of risk
  - Defaulting to a second RFP unlikely to produce better or even similar results, if bidders participate at all
- Current process does not provide a backstop in the event of a full or partial failure of the solicitation process.

# Market-Based Procurement Process with ISO-NE

## (Eversource Purchased Supply)

- ISO-NE market rules provide for a utility purchase option that can be utilized as a backstop to assure electric supply for customers.
- Under ISO-NE market rules, the host utility becomes the Load Serving Entity (“LSE”) when there are no other wholesale market participants willing to accept all or a portion of a utility’s load obligations.
- To meet the supply requirements for the portion of default service not covered by contracts with competitive suppliers:
  - The ISO-NE Day-Ahead Market allows market participants to commit to buy wholesale electricity one day before the operating day. The market produces a daily financial settlement that refers to the Load Zone Price (\$/MWh) assigned to load submitted in the Day Ahead Market. *Eversource would participate in the market as a price-taker.*
  - Eversource would contract with a vendor to provide a daily load forecast (MW) for both Small and Large customer loads.
  - For next day load pricing, the forecasted load is submitted via ISO-NE “eMarket” software, which is used by all Market Participants to submit their expected load values to the ISO-NE Day Ahead Market by 10:30 a.m.
  - By 1:00 p.m. that day, ISO-NE publishes the Day Ahead hourly prices that are associated with the submitted load. The submitted load is subject to Energy, Forward Capacity, Ancillary Service, and other ISO-NE charges (i.e. Mystic RMR), and documented in the ISO-NE Monthly bill.

# Market-Based Procurement Process with ISO-NE (Eversource Purchased Supply)

- Eversource would propose a six-month rate for February through July for Residential and Small Commercial customers and a monthly rate for Large Customers. *No change to rate design is needed.*
  - To determine a reasonable price for the portion of load covered by Market-Based Procurement, the highest-priced of the acceptable bids received would be used, and if no bids are accepted, price would be based on current market conditions and recent acceptable bids received in neighboring jurisdictions.
    - NHPUC approves rate to take effect on February 1, 2023.
- Costs would be recovered through Eversource's June 2023 reconciliation rate filing, consistent with default service process.
  - Along with any contractual commitments, annual reconciliation will be a function of pricing obtained in purchasing supply from the daily ISO-NE market as opposed to a fixed, contractual six-month price.
  - Costs of purchased power may be higher or lower than contractual prices available through the procurement.
  - However, market-based procurement can be a better option for customers as compared to a six-month, fixed contractual commitment that is significantly over-market.
  - Market-base procurement is a necessity where the bid solicitation does not cover the full load requirements, which is a distinct possibility.

# Commission Has Statutory Authority to Allow Alternative Procurement Method

- Settlement Agreement in DE 17-113 (Order No. 26,029) allows for process change:
  - “[A]ny party may, in the future, petition the Commission to amend the manner of ES procurement and supply should circumstances warrant a change . . . Eversource agrees to continue to evaluate procurement methods other than sealed bid RFP [and] any new proposed method, if approved by the Commission, shall be implemented as ordered by the Commission.”
- The Commission has the discretion to decide what process for default procurement best satisfies the purpose of the Restructuring Act RSA 374-F:
  - ***RSA 374-F:3, V(e): the commission may approve alternative means of providing transition or default services which are designed to minimize customer risk, not unduly harm the development of competitive markets, and mitigate against price volatility without creating new deferred costs, if the commission determines such means to be in the public interest.***
- Approval of Market-Based Procurement flexibility prior to receipt of bids will enable and support decision-making process in the event that bids are over-priced or inadequate to support 100% of default service load.

## Proposed Process for Securing Default Service Supply

- November 10, 2022. Prehearing conference
- November 15, 2022. Eversource will file a succinct request to amend existing procurement process to use Market-Based Procurement as a contingency to fulfill any load requirements not met by competitive supply contracts.
  - Eversource requests a ruling no later than December 2 to be in place for bid decisions.
- December 6, 2022. Noticed, confidential technical session held on bid day (11-12 pm) inviting participation by all parties (DOE, OCA & PUC) for Eversource to share bid pricing, load coverage and analysis and obtain consensus guidance.
  - Contracts executed by 3 pm per RFP timeline to enable suppliers to lock-in bid prices.
  - Consensus does not absolve Eversource of prudent management of procurement process.
- December 8, 2022. Eversource will file for approval of default service procurements, including request for approval of any contracts executed through the bid-solicitation process and use of Market-Based Procurement through ISO-NE for any portion of load not covered by executed contract, if any.
  - Eversource will include testimony, explanation and supporting documentation to support approval of default service procurements with pricing for February 1, 2023.
- December 15, 2022 (or shortly thereafter). NHPUC issues decision approving procurements and setting rate for February 1, 2023.



# Questions?