Granite State Electric Company d/b/a National Grid
Docket No. DE 08-011
Witness: J. D. Warshaw

# SCHEDULE JDW - 2

**Default Service Procurement Summary** 

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# NATIONAL GRID DEFAULT SERVICE PROCUREMENT SUMMARY FOR THE PERIOD AUGUST 2008 – OCTOBER 2008

# RFP Issued

National Grid issued its Request for Power Supply Proposals ("RFP") on May 9, 2008 directly to over suppliers for the service period August 2008 through October 2008.

The RFP was also distributed to all members of the NEPOOL Markets Committee and posted on National Grid's energy supply web site. As a result, the RFP had wide distribution throughout the New England energy supply marketplace.

The procurement was conducted in accordance with applicable New Hampshire rules and regulations including Granite State Electric Company's Second Amended Restructuring Settlement Agreement ("Restructuring Settlement"), RSA 374-F ("New Hampshire Act") and Granite State Electric Company Post-Transition Service Default Service Proposal Settlement Agreement ("New Hampshire Settlement Agreement") approved by the New Hampshire Public Utilities Commission on January 13, 2006 in Order No. 24,577.

This procurement was also conducted in accordance with applicable Massachusetts rules and regulations including the various orders in D.T.E. Dockets 99-60A, 99-60B, 99-60C, 02-40A, 02-40B and 02-40C and was consistent with prior procurements conducted by National Grid.

# The RFP sought:

- 100% of the New Hampshire Large Customer Group Default Service requirements for the period August 2008 through October 2008;
- 100% of the Massachusetts Industrial Customer Group Default Service requirements for the period August 2008 through October 2008;

National Grid requested all-inclusive pricing for all blocks and also pass-through (of capacity costs) pricing for only the New Hampshire blocks. Pass-through pricing would have National Grid compensate a supplier at its actual capacity costs subject to appropriate price caps.

These requirements were divided into 4 distinct load blocks. A description of each load block is provided in Attachment 1.

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# Key RFP Dates

The RFP was issued on May 9, 2008.

Supplier information and contract comments were received on May 30, 2008.

Indicative bids were received on June 4, 2008.

Final bids were received on June 11, 2008.

# Contract Submissions

All bidders had previously executed Master Power Agreements with National Grid and so contract revisions were unnecessary.

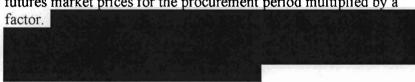
# Indicative Bids

Indicative bids were received on June 4, 2008

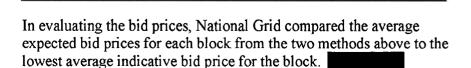
The indicative bids were evaluated and ranked (see Attachments 2 and 3). Indicative pricing was used only to determine current market price, to prepare an initial ranking of bids and to identify any bidding anomalies. The retail prices in Attachment 3 were calculated by adjusting the wholesale prices in Attachment 2 by the ratio of wholesale purchases to retail deliveries over the twelve-month period ending April 30, 2008.

The lowest indicative bids for each load block were compared to National Grid's estimate of expected indicative bids based on two methodologies.

One method estimates expected bid prices based on current electric futures market prices for the procurement period multiplied by a



The second method estimates expected bid prices based on current natural gas futures market prices for the procurement period multiplied by a factor.



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For all of the blocks, the prices received were less than the lowest expected bid price for each block from the two methods above.

In addition to evaluating the bid price and ability to meet credit requirements, National Grid also performed a qualitative review of each bidder's ability to provide Default Service during the service period based on the following:

- The bidder's past experience in providing similar services to National Grid or its affiliates;
- The bidder's past experience in providing similar services to other companies in New England;
- The bidder's past experience in providing similar services to other companies in other regions;
- The bidder's demonstrated understanding of the market rules related to the provision of Default Service;
- The bidder's demonstrated understanding of its obligations under the proposed Purchase Power Agreement; and
- Whether there have been any past or are any present events that are known that may adversely affect the bidder's ability to provide Default Service.

National Grid concluded that all bidders were qualified to provide Default Service and would be capable of providing any required contract security.

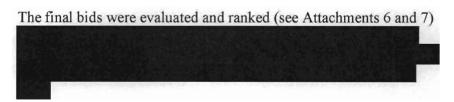
# Regulatory Communication

The results of the New Hampshire indicative bids were shared with staff of the New Hampshire Public Utilities Commission ("NHPUC") on June 4, 2008.

The results of the Massachusetts indicative bids were shared with staff of the Massachusetts Department of Public Utilities ("MADPU") on June 5, 2008.

# **Final Bids**

Final bids were received on June 11, 2008



A summary of the number of conforming bids per block is provided

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in the following table:

Block - # Bids	Block - # Bids	Block - # Bids		
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# Capacity Cost Treatment

On March 6, 2006 ISO-NE filed a settlement agreement with FERC in the LICAP proceeding which provides for a forward capacity market beginning in 2010. As an interim measure, ISO-NE has instituted a transitional market beginning in December 2006. On June 15, 2006 the FERC approved the filing with no changes. On November 1, 2006 the FERC issued an Order denying all requests for rehearing and upheld its original conclusions that the settlement agreement represents a just and reasonable outcome consistent with the public interest. Since then a number of parties have filed appeals of the FERC ruling in federal court. On March 28, 2008 the DC Circuit issued its decision regarding the appeals and remanded the matter back to the FERC. The DC Circuit has granted the parties time to seek rehearing of its decision. Due to the pending rehearing appeals, National Grid required all suppliers to agree to provide to National Grid any refunds or reduced capacity payments incurred if the pending appeals result in refunds or reduced transition payments during the period of this RFP.

As a result of the pending appeals in Federal Court regarding the forward capacity market, the staff of the New Hampshire Public Utilities Commission recommended that National Grid abide by the terms of the New Hampshire Settlement Agreement and continue to request bidders to (i) submit a price that includes the cost of all market products in an as-delivered energy rate ("All Inclusive Bid Price") and (ii) submit a second price that includes all market products on an as-delivered energy basis except the capacity market costs which would be paid as an additional cost on a pass through basis of actual costs ("Pass Through Bid Price") for the August 2008 - October 2008 period.

An analysis of the indicative bids showed that the value bidders placed on capacity was slightly greater than National Grid's forecast of capacity costs. A summary of the New Hampshire indicative bids can be found in Attachment 8. National Grid calculated capacity values based on a transition payment of \$3.75/kW-month in the approved capacity market settlement and available market data. A summary of this calculation can be found in Attachment 9.

As required by the New Hampshire Settlement Agreement, National

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Grid shared the indicative bids with the staff of the New Hampshire Public Utilities Commission and indicated that it would accept final bids on an all-inclusive basis if the capacity costs in the final bids were consistent with those received in the indicative bids. The staff agreed with this recommendation.

The capacity value provided by the lowest bidder in its final bids was less than National Grid's expected values. National Grid awarded the New Hampshire supply on an all-inclusive basis. Locking in the capacity costs eliminates the actual load risk that would be associated with the cost of the pass-through option. A summary of the New Hampshire final bids can be found in Attachment 10.

# Analysis and Award

The lowest final bids for each load block were compared to National Grid's estimate of expected bids based on the two methodologies described above (see Indicative Bids). The calculations of these expected prices can been found in Attachments 11 and 12.

For all the blocks, the prices received were less than the lowest expected bid price from the two methods above and thus were considered to be within National Grid's expectations. As a result the accepted bid is considered to be competitive.

Due to the competitive nature of the bids received for these blocks (more than one bid received in response to an open, competitive solicitation and the bids falling within the expected cost range when adjusted for current capacity costs), National Grid awarded supply for each block based on the lowest bid price.

Attachment 13 provides a summary of the winning supplier for each block as well as the basis for the award. Attachment 14 provides a bidder key to help identify bidders.

# Renewable Portfolio Standard

The Massachusetts load covered by this RFP is subject to a 3.5% Renewable Portfolio Standard ("RPS") requirement in calendar year 2008.

National Grid evaluated the cost of obtaining the RPS certificates
associated with the load requirements from the bidders versus the
current market price for RPS certificates
and the 2008 Alternative Compliance Payment ("ACP")
rate of \$58.58 per certificate. Attachment 15 provides an analysis of
the proposed RPS cost adders contained in the final bids. These
range from certificate.

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Winning Bidder's RPS cost adders were higher than current market prices, and thus not chosen. Consistent with its RPS Compliance Plan that was filed with the Department on November 1, 2002, National Grid will attempt to procure these requirements through separate solicitations or by payment of the ACP.

# **Retail Rate**

The expected retail rates, excluding administrative cost adders, were based on the wholesale bids that were awarded supply in the current procurement and are not blended with costs incurred in other procurements.

All retail rates were calculated by adjusting the wholesale prices using the ratio of wholesale kWh purchases to retail kWh deliveries over the twelve-month period ending April 30, 2008.

For Massachusetts Default Service retail rates, the following adjustments to the retail rate were required:

For supply that did not include RPS certificates, the average of National Grid's most recent procurement for RPS certificates was used in determining retail rates in 2008.

A summary of the final retail rates for each block is provided in Attachment 16.

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# ATTACHMENT 1 LOAD BLOCK DESCRIPTIONS

Load Block	Customer Group	SMD Load Zone	Load Share	Type of Service	Period	
Α	Industrial	SEMA	100%	MA Default Service	08/01/08 - 10/31/08	
В	Industrial	WCMA	100%	MA Default Service	08/01/08 - 10/31/08	
C	Industrial	NEMA	100%	MA Default Service	08/01/08 - 10/31/08	
D	Large	NH	100%	NH Default Service	08/01/08 - 10/31/08	

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ATTACHMENT 2 – 8 REDACTED

# ATTACHMENT CAPACITY COSTS 9

# NGRID CALCULATED VALUE OF

### Actual Actual Actual FORECAST Jan-07 Feb-07 Jan-08 Feb-08 Mar-08 Apr-08 May-08 Jun-08 Jul-08 Oct-08 Aug-08 Sep-08 30,914 30,914 30,914 32,894 32,894 30,914 31,650 31,676 32,217 32,246 32,318 32,894 30,914 30,914 32,894 32.327 30,914 30,914 1,059 1,196 2,244 2,368 2,141 2,368 2,293 2,368 2,368 57 58 117 101 1,064 1,067 1,149 1,326 1,285 1,285 2,487 2,487 1,206 1,384 1.386 3,553 3,256 3,256 3,256 3,256 1,402 1.337 1.972 2.825 2.825 2.825 2,825 125.7% 125.8% 90.2% 70.2% 49.6% 49.1% 33,915 34,255 35,863 35,925 38,236 38,022 38,518 36,538 36,538 36,538 Period Average 82.038 79.402 79.54 84.780 85.60 81 20 81.20 81 20 0.24% 0.24% 0.22% 0.22% 0.22% 0.22% 0.22% 0.22% 0.229 0.229 0 229 0.22% \$247,794 \$242,601 \$257,722 \$250,215 \$242,176 \$258,578 24,524 22,183 22,77 21,232 22,778 21,863 21,622 22,691 26,518 25,280 25,865 22,654 \$10.20 \$11.43 \$12.0 \$13.42 \$11.48 \$12.66 \$11.17 \$10.6 \$11.35 \$11.79 \$12.0 \$11.7 \$14.17 110.113 111.13 113.768 113.980 121,191 120.446 122.01 115.745 115.745 115.74 115.74 122.017 0.329 0.329 0.329 0.32% 0.32% 0.32% 0.329 0.329 0 329 \$335,845 \$338,945 \$346,991 \$347,638 \$372,15 \$434,045 \$434.045 \$434.04 \$434,045 \$457.564 \$369,634 \$367,360 34,735 **34,853** \$12.45 37,145 38,096 36,264 31,441 28,770 31,788 37,199 38,012 30,616 38,404 \$9.04 \$9.76 \$9.11 \$9.59 \$9.62 \$11.68 \$12.94 \$13,65 \$11.67 \$11.42 \$14.95 \$12.85

**Granite State Electric Company** Forecast of UCAP Supply and Obligation

12/01/2006 06/01/2008 06/01/2009 Transition Payment \$3,050 \$3,750 \$4,100

(a) From ISO-NE SCC Report issued February 1, 2008

(c) Either: (X) From ICAP monthly settlement SR\_MTHSTLICAP report (Actual) or (Y) ISO-NE SCC Report

Actual

Dec-06

31,634

866

57

683

739

2.125

34.8%

33,239

\$251,479

24,001

\$10.48

107.88

\$329,036

0.32%

35,760

\$9.20

- (d) From ICAP monthly settlement SR\_MTHSTLICAP report
- (e) From ICAP monthly settlement SR\_MTHSTLICAP report (f) From ICAP monthly settlement SR\_MTHSTLICAP report
- (g) Either: (X) Sum of rows (c) through (f) (actual) or previous year's ICAP imports
- (ii) Either: (X) From most recent ICAP monthly settlement SR\_MTHSTLICAP report, or (Y) sum of grandfathered rights exercised and imports granted (issued February 8, 2008)
- Row (g ) Divided by Row (h) (actual) or last actual monthly value (forecast)
- Either. (X) sum of rows (c) through (f) (actual) or (Y) sum of rows (c) through (g) (forecast)

  Either. (X) From most recent SD\_MTHSTLICAPLAOWNER monthly settlement report, or (Y) product of row (g) times row (i)
- Either: (X) row (h) divided by row (g) or (Y) last actual % calculated
- (m) Row (h) times Transition Payment

Seasonal Claimed Capability

ICAP Credits (HQICC, NYPA, other)

ICAP Import Rights exercised & granted

Granite Large UCAP Obligation (#11437)

Granite Small UCAP Obligation (#11436)

Actual Imports as % of Import Rights

ICAP Imports contracts & credits

Load Response & ODR

ICAP Import Contracts

Pool Total Supply UCAP

Granite Large RT Load

Granite Small RT Load

UCAP Rate - \$/MWh

UCAP Rate - \$/MWh

**UCAP Cost** 

LICAP %

(b) not used

(e)

(m)

(m)

(n) Either (X) sum of hourly load reported to the ISO during the month or (Y) forecast of hourly load using NGRID system forecast

	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08
Granite Large RT Load	20,592	21,947	20,566	21,622	22,691	26,518	25,280	25,865	22,654	21,479
Granite Small RT Load	37,333	39,051	32,743	28,770	31,788	37,199	38,012	34,853	30,616	31,465

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<sup>(</sup>o) Row (j) divided by row (k)

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 $\begin{array}{c} \textbf{ATTACHMENTS 10-16} \\ \underline{\textbf{REDACTED}} \end{array}$