

April 13, 2012

Michael I. Henderson
Director, Regional Planning and Coordination
ISO New England
1 Sullivan Road
Holyoke, MA 01040

John P. Buechler
Executive Regulatory Policy Advisor
New York ISO
10 Krey Boulevard
Rensselaer, NY 12144

Steve Herling
Vice President, Planning
PJM Interconnection
955 Jefferson Avenue
Norristown, PA 19403

Re: Comments on Draft 2011 NCSP and on Order 1000 Interregional Planning and Coordination Issues

Gentlemen:

These comments, submitted by public interest organizations who work across ISO New England (ISO-NE), New York ISO (NYISO) and PJM Interconnection (PJM), are intended to provide input on the draft 2011 Northeast Coordinated System Plan (NCSP) and the interregional provisions of FERC Order No. 1000. We appreciate the opportunity to provide these comments.

I. Comments on Relationship Between the NCSP and Order 1000

The NCSP has an important role in how ISO-NE, NYISO and PJM will implement Order 1000 and create a more efficient, seamless, fair and effective bulk power system. Working through the Interregional Planning Stakeholder Advisory Committee (IPSAC) and the Joint ISO/RTO Planning Committee (JIPC), the ISO-NE, New York ISO and PJM are setting a strong example for the nation with regard to effective interregional coordination and planning. The interregional planning approaches that you develop through IPSAC will provide a valuable template for the rest of the country.

A. Identifying and Using Best Practices for Interregional Planning and Coordination

We urge you to use the NCSP as a vehicle for identifying and using “best practices” and the “highest common denominator” for specific planning and coordination activities. Examples of

best practices might include specific methodologies for considering efficiency and other demand resources in load forecasting and development of a common definition of “congestion.”¹ We also urge you to create opportunities for staff and stakeholders to periodically identify improvements to best practices for the NCSP and other inter-regional activities.

To implement this approach, the NCSP should document the practice of each region in a critical area and lay out a plan for identifying, through the stakeholder process, the best practices and the plan for harmonizing the tariffs and planning processes of the regions to incorporate such best practices.² Again, consideration of efficiency and other demand resources in load forecasting and diagnosis and description of congestion are good candidates for this, along with other issue areas.

Looking ahead to the Order 1000 interregional compliance filings at FERC, each region’s proposed tariff changes should formalize this “best practice” approach by requiring the documentation of mutually agreed upon plans to harmonize such practices *and* by recognizing that interregional coordination documents, like the NCSP, also should document and explain the reasons for continuing to use different approaches in the analytics, methodologies and planning practices among the regions.

As an example of a divergence that appears to require more explanation, Section 3.1 of the draft NCSP discusses PJM’s 2011 RTEP load forecast:

The load forecast used represents all Transmission Owners in the PJM system as of January 1, 2012, and includes a weather normalized summer peak demand forecast, which has a load growth rate of 1.3% annually over the next 10 years, from 154,383 MW in 2011 to 176,060 MW in 2021, an increase of 21,667 MW over the decade.

¹ Among the “lessons learned” in Phase I of the Eastern Interconnection Planning Collaborative is that varying methods that public utility transmission providers use to measure energy efficiency and demand response impacts on load growth materially reduce the effectiveness of short and long-term system planning.

² FERC Order 1000 is clear on the need to harmonize model and analytical differences across regions for the purpose of interregional coordination:

[J]oint evaluation of a proposed interregional transmission facility cannot be effective without some effort by neighboring transmission planning regions to harmonize differences in the data, models, assumptions, planning horizons, and criteria used to study a proposed transmission project. We therefore direct, as part of compliance with the interregional transmission coordination requirements, that each public utility transmission provider, through its transmission planning region, develop procedures by which such differences can be identified and resolved for purposes of jointly evaluating the proposed interregional transmission facility.

Order 1000, ¶ 437.

(NCSP, p. 5). PJM’s load forecast, as opposed to load forecasts in ISO-NE and NYISO, holds EE resources constant based upon the MWs of EE that have already cleared in the last RPM.³

Contrast this approach with the approach described in Section 3.2 of the NCSP, discussing NYISO’s 2010 Comprehensive Reliability Plan, which states:

in the case of the 2009 RNA Base Case energy forecast for 2015, a *projected* 8,086 GWh in energy savings were *subtracted* from the econometric forecast to reach the base case forecast. In the 2010 RNA, for the year 2015, a *projected* 9,914 GWh were *subtracted* from the current econometric forecast.

(NCSP, p. 6) (emphasis added).⁴ New York’s approach demonstrates that projecting future energy savings and subtracting those savings from the econometric forecast is a legitimate and reliable practice.⁵

Equally important, using load forecasts based on different assumptions can undermine interregional planning. Therefore, the NCSP and other interregional documents should explain the basis for continuing such divergent approaches and whether harmonization to a “best practice” standard would achieve better planning results, Order 1000 compliance and just and reasonable rates.

Using an interregional coordination document, like the NCSP, to identify “best practices” and move towards harmonization across the regions to implement such practices will improve reliability, reduce operating costs and ensure efficient operation of markets, thereby lowering consumer costs and producing just and reasonable rates. The influence of public policy requirements on system needs also is an important consideration, and coordinating interregional system needs driven by these requirements is a vital purpose of the NCSP.

The example of consideration of energy efficiency and other demand resources in load forecasting illustrates how these imperatives drive the need to identify best practices and strive towards harmonization. The rise of efficiency mandates and programs fostering efficiency in the states means that accurate recognition of this growing resource is needed if 1) planning is going to be accurate and therefore optimized to ensure reliability, 2) markets are asked to procure only

³ Section 9.1 of the draft NCSP, discussing PJM’s treatment of demand side resources, notes that the amount of DR and EE cleared in the last auction is held constant for the remainder of the forecast (draft NCSP, pp. 60-61).

⁴ ISO New England is also currently developing a methodology to forecast long-term energy-efficiency savings from state-sponsored programs, for years beyond what is currently captured in the Forward Capacity Market (draft NCSP, p. 8).

⁵ It should be noted that in the case of New York, funding for programs has only been approved through 2015, leading some market participants and some NYISO staff to contend that the load forecast should assume no further investments in efficiency beyond that year. This imperfect process is anticipated to result in a *reduction* in the assumption for GWh from energy efficiency in the soon to be released 2012 load forecast, likely to decrease EE levels below the 2010 number. We anticipate, rather, that EE investments will increase in future years.

what is truly needed – underestimating public efficiency efforts will only lead to bill-paying customers purchasing the same capacity twice, first by paying for efficiency efforts and then again when system planning fails to recognize this real resource and directs procurement of generation, and 3) the planning process is going to facilitate and assist in the attainment of reasonable public policy goals instead of impeding the implementation of public policy mandates. This last reason is at the heart of Order 1000 mandate and should weigh heavily in the design of the inter-regional Order 1000 Compliance Filing and development of the NCSP as an implementation vehicle for that compliance.

B. Benefit Metrics

We recognize that ISO-NE, NYISO and PJM may measure project and planning benefits somewhat differently from each other. For interregional planning and cost allocation purposes, we suggest focusing on a robust set of benefit metrics derived from all three regions and a clear methodology of allocating costs based on the analysis of benefits. Tariff language should as precisely as possible describe the benefit metrics for interregional facilities rather than address them in the first instance on individual projects. Although not required by Order 1000, we do support regions evaluating and supporting appropriate facilities located solely in one region that nevertheless produce benefits for both regions.

II. Specific Comments on the 2011 Draft NCSP

In addition to our comments on the relationship between the NCSP and Order 1000, we raise the following specific questions and comments about the draft 2011 NCSP. We intend these questions to apply both retrospectively to the 2011 plan and also prospectively to the next plan. Please consider these questions in that light.

A. Order 1000 Compliance

First, the draft states that “the Northeast ISO/RTOs’ existing reliability and economic planning processes, including cost allocation, are already largely compliant with the requirements of Order 1000.” (p. 3). This statement is unnecessary for the purpose of the NCSP, which focuses on inter-regional coordination and planning. It also is premature because the RTOs currently are working through their compliance with Order 1000’s requirements and have not yet filed their compliance plans with FERC.

Second, the draft states that “transparency and stakeholder participation is required, but the interregional planning process is not required to produce a “plan” or to fully comply with Order 890’s planning principles.” (p. 65). Please explain the meaning and basis for this comment. For example, why should the process not comply with Order 890 principles?

B. Fuel Diversity

Section 5.8, Fuel Diversity Issues, does not reference distributed generation (DG). How does DG affect fuel diversity? For example, PJM has established a Net Energy Metering Task Force, anticipating a future influx of DG, which could be discussed in this section.

This section also states that “PJM has a relatively diversified mix of available fuel supplies for its generation. Coal and nuclear are the main sources for PJM generation, comprising almost 85% of the total on an energy basis.” (p. 38) Is the term “relatively diversified” accurate that given coal and nuclear comprise 85% of total generation? Would it be preferable to discuss the risks of such apparently heavy reliance on two fuel sources, and potential solutions?

C. Impacts of Environmental Standards

Section 6 of the draft report discusses environmental issues with potential interregional impacts.

First, we urge you to consider and discuss the effects of EPA’s recently-proposed Carbon Pollution Standard rule for power plants.

Second, does PJM anticipate any unit retirements due to EPA’s cooling water rule?

Finally, the subsection on state and regional GHG initiatives states that “these policies taken together and when considered with environmental regulations at the federal level may influence the makeup of the generation fleet going forward, putting an emphasis on generating technologies with less environmental impact.” (p. 56). Given the state GHG goals listed in the previous paragraph of the report, we urge you to evaluate the effects of these goals on future system needs. Such planning already occurs to some extent in evaluating the needs of state RPS; similar planning and consideration should occur for these goals.

D. Renewable Energy Standards

In reference to renewable energy projects developed at least in part to meet state RPS goals, the Executive Summary of the draft NCSP states that “these projects, if developed, would be sufficient to meet the RPS short term goals while recognizing that contributions could come from other RPS sources not in the queues.” (p. 3). Could you please clarify what “short term” means in this context – how many years? Also, are you referring to all of the states in your combined footprint (states listed in section 7 of the NCSP), and did you consider state RPSs outside the combined footprint that might influence system needs in the footprint?

Also, the section on “wind and renewable resource studies” on page 59 provides little information and instead refers readers to other reports in footnotes 88 and 89. We request that you summarize these two reports for the sake of completeness and context for this section.

E. Demand Response

The report states that “PJM has performed sensitivity analyses on the integration of RPS, DR, and EE as required by individual state mandates.” (p. 61) Please provide a link to these analysis or presentations in a footnote.

Conclusion

Thank you again, and we look forward to continuing engagement at the IPSAC and other forums on these important issues.

Seth Kaplan
Vice President for Policy & Climate Advocacy
Conservation Law Foundation

Rishi Garg
Assistant People's Counsel
DC Office of the People's Counsel

Jackson D. Morris
Director of Strategic Engagement
Pace Energy & Climate Center

John N. Moore
Senior Attorney
The Sustainable FERC Project