

December 5, 2014

VIA HAND DELIVERY & ELECTRONIC MAIL

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

**RE: Docket 4393 - Standard Offer Service Rates
Period of January – June 2015 for Residential and Commercial
Period of January – March 2015 for Industrial
Responses to Division Data Requests – Set 2**

Dear Ms. Massaro:

Enclosed are National Grid's¹ responses to the Division of Public Utilities and Carriers' (Division) Second Set of Data Requests in the above-referenced docket.

Thank you for your attention to this transmittal. If you have any questions, please contact me at 401-784-7288.

Very truly yours,



Jennifer Brooks Hutchinson

Enclosures

cc: Docket 4393 Service List
Steve Scialabba

¹ The Narragansett Electric Company d/b/a National Grid (National Grid or the Company).

Certificate of Service

I hereby certify that a copy of the cover letter and/or any materials accompanying this certificate was electronically transmitted to the individuals listed below.

Copies of this filing were hand delivered to the Rhode Island Public Utilities Commission and to the Rhode Island Division of Public Utilities Carriers.



Joanne M. Scanlon

December 5, 2014

Date

Docket No. 4393 - National Grid – 2014 SOS and RES Procurement Plans Service List updated 12/3/14

Name/Address	E-mail Distribution	Phone
Raquel Webster, Esq. National Grid 280 Melrose St. Providence, RI 02907	Raquel.webster@nationalgrid.com	401-784-7667
	Celia.obrien@nationalgrid.com	
	Jennifer.hutchinson@nationalgrid.com	
	Brooke.Skulley@nationalgrid.com	
	Joanne.scanlon@nationalgrid.com	
	margaret.janzen@nationalgrid.com	
Leo Wold, Esq. (for Division) Dept. of Attorney General 150 South Main St. Providence, RI 02903	Lwold@riag.ri.gov	401-222-2424
	Steve.scialabba@dpuc.ri.gov	
	Kevin.lynch@dpuc.ri.gov	
	John.spirito@dpuc.ri.gov	
	dmacrae@riag.ri.gov	
	jmunoz@riag.ri.gov	
Richard Hahn LaCapra Associates One Washington Mall, 9 th floor Boston, MA 02108	rhahn@lacapra.com	617-778-2467
Mary Neal LaCapra Associates	mneal@lacapra.com	
Michael McElroy (for Daniel McKee) Schacht & McElroy P.O. Box 6721 Providence, RI 02940-6721	Michael@McElroyLawOffice.com	401-351-4100
Christy Hetherington, Esq. Dept. of Attorney General 150 South Main St. Providence, RI 02903	Chetherington@riag.ri.gov	
File an original & 10 copies w/:	Luly.massaro@puc.ri.gov	401-780-2017
	Alan.nault@puc.ri.gov	

Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick, RI 02888	Amy.Dalessandro@puc.ri.gov	
	Todd.bianco@puc.ri.gov	
Office of Energy Resources Nicholas Ucci Christopher Kearns	Nicholas.ucci@energy.ri.gov	
	Christopher.Kearns@energy.ri.gov	

The Narragansett Electric Company
d/b/a National Grid
R.I.P.U.C. Docket No. 4393
2014 Standard Offer Service Rates
Period of January – June 2015 For Residential and Commercial
And Period January – March 2015 For Industrial
Responses to the Division's Second Set of Data Requests
Issued on November 26, 2014

Division 2-1

Request:

Does the statutorily- provided ability of residential customers to procure electricity in the market from Non-Regulated Power Producers act as a barrier to National Grid's ability or willingness to procure longer term contracts, or different types of contracts, for residential standard offer load?

Response:

The statutorily- provided ability of residential customers to procure electricity in the market from Non-Regulated Power Producers does not act as a barrier to National Grid's ability or willingness to procure longer term contracts, or different types of contracts, for residential standard offer load. The ability of residential customers to procure their electric commodity from Non-Regulated Power Producers, also known as migration, is one of the risks considered by Standard Offer Service suppliers in formulating their bids to respond to the Company's RFPs. Migration risk, however, does not impede National Grid's ability to obtain longer-term load-following contracts any more than the other risks considered by SOS suppliers. These other risks include volatility in load and in the prices for energy, ancillary services, and capacity. The potential of market rule changes within the New England region is an additional risk. With longer term contracts, each of these risks will increase, resulting in increased risk premiums or less bidder participation in the Company's RFPs, potentially negatively impacting contract prices and, consequently, SOS rates.

The Company procures SOS throughout the year in accordance with a PUC-approved Standard Offer Service Procurement Plan (SOS Plan) as required by Rhode Island Law.¹ In Docket No. 4149, the PUC approved the Company's recommended laddered and layered procurement approach for the Residential and Commercial Groups. The procurement for the Residential Group divides the residential SOS load obligation into six portions, and the Company solicits bids to serve five of the six portions and executes contracts with winning bidders over the year. The five contracts range from six to 24 months and the sixth portion is procured in the spot market. The PUC has annually approved this laddered and layered procurement approach in each subsequent SOS Plan.

¹ RI General Laws § 39-1-27.8

The Narragansett Electric Company
d/b/a National Grid
R.I.P.U.C. Docket No. 4393
2014 Standard Offer Service Rates
Period of January – June 2015 For Residential and Commercial
And Period January – March 2015 For Industrial
Responses to the Division's Second Set of Data Requests
Issued on November 26, 2014

Division 2-1, page 2

As described in Docket No. 4149, this approach was designed to provide rate stability at the most efficient prices. The six-month rate period was designed to give customers a seasonal price signal to encourage conservation and energy efficiency with some level of protection against market price volatility. Customers have the choice to select other commodity providers if the Standard Offer terms or rates do not meet their needs. In this way, Standard Offer Service is an important element of the restructured electric market and retail choice, providing continuity for customers as they migrate to and from Non-Regulated Power Producers. Customers depend upon Standard Offer Service as a reference to compare price and term, as they shop within the retail market.

Compared to short-term contracts, longer-term contracts reflect increased risk levels. In addition to migration, these risks include the wholesale market, which has recently demonstrated significant price volatility for energy and capacity. Also, wholesale electric market rules introduce another type of risk since they continue to be modified, sometimes on an emergency basis, as seen recently in the Winter Reliability Programs. With longer term contracts, the probability of adverse market conditions increases, and thus wholesale suppliers may significantly increase their bid prices for SOS, or may not participate in future SOS solicitations.

The Narragansett Electric Company
d/b/a National Grid
R.I.P.U.C. Docket No. 4393
2014 Standard Offer Service Rates
Period of January – June 2015 For Residential and Commercial
And Period January – March 2015 For Industrial
Responses to the Division's Second Set of Data Requests
Issued on November 26, 2014

Division 2-2

Request:

Would the elimination of statutory authority for residential customers to procure power from competitive suppliers provide National Grid with more power supply procurement options for residential standard offer supply, if a primary objective for residential supply was rate stability and mitigation of price spikes, especially when operating in a period of a volatile electricity market?

Response:

The elimination of customers' ability to procure power supply from competitive suppliers would effectively remove the risk of customer migration away from the Company's Standard Offer Service (SOS) that SOS suppliers take into account in formulating their bids to respond to the Company's RFPs. However, as noted in the Company's response to data request Division 2-1, when formulating their bids, these suppliers still must consider other risks, such as volatility in load and prices for energy, ancillary services, and capacity. Migration risk does not limit National Grid's options to procure power from SOS suppliers any more than the other risks considered by these suppliers, though it may slightly increase risk premiums embedded in the residential contract prices.

If the primary objective for residential supply is rate stability and mitigation of price spikes, the Company recommends that retail choice be preserved so that customers retain the ability to choose a Non-Regulated Power Producer as an alternative to the Company's SOS. Non-Regulated Power Producers may offer fixed price contracts of any duration, which could provide further rate stability for the customer during the term of the contract. Also, SOS customers may enroll in the Company's Budget Billing program which achieves this primary objective of stability by allowing customers to smooth out their payments for all charges on their bill. In addition, customers with a Non-Regulated Power Producer may enroll in the Company's Budget Billing program to smooth out payments for delivery service charges. Finally, the Company's Budget Billing program preserves competition in the energy markets, while effectively mitigating the impact of customers' monthly volumetric usage as well as changes in SOS rates. Increased usage of the Budget Billing program will achieve the result of mitigating bill impacts to residential customers, while avoiding any detrimental impact to future prices or undermining the framework of the restructured power markets.

The Narragansett Electric Company
d/b/a National Grid
R.I.P.U.C. Docket No. 4393
2014 Standard Offer Service Rates
Period of January – June 2015 For Residential and Commercial
And Period January – March 2015 For Industrial
Responses to the Division's Second Set of Data Requests
Issued on November 26, 2014

Division 2-3

Request:

Question 5 of the PUC's Third Set of data requests asks for the numbers of customers in each rate class and the breakout of the numbers of those customers who receive standard offer service versus competitive supply. In addition to providing the customer counts, please provide the percentage of load of standard offer versus competitive supply associated with the number counts provided to the PUC in question PUC-5.

Response:

Please see Attachment DIV 2-3 for customer counts for each rate class in total, for Standard Offer Service, and for customers on competitive supply as of October 2014, as provided in the Company's response to COMM 3-5, as well as the percentage of load of Standard Offer Service and competitive supply by rate class.

**The Narragansett Electric Company
Customer Count by Rate Class as of October 2014**

Rate Class	Total	Standard Offer Service	Competitive Supply
	(a)	(b)	(c)
A-16	389,507	367,616	21,891
A-60	44,626	41,067	3,559
B-32	5	2	3
B-62	0	0	0
C-06	49,395	41,542	7,853
G-02	8,235	5,616	2,619
G-32	1,051	467	584
G-62	12	3	9
M-1	3	0	3
S-6	0	0	0
S-10	0*	0*	0*
S-14	381	211	170
X-01	1	0	1
Total	493,216	456,524	36,692

*S-10 accounts are supplemental, meaning each account is associated with a primary service account

% of Load by Rate Class as of October 2014

Rate Class	Total	Standard Offer Service	Competitive Supply
	(a)	(b)	(c)
A-16	100%	93%	7%
A-60	100%	92%	8%
B-32	100%	3%	97%
B-62	0%	0%	0%
C-06	100%	80%	20%
G-02	100%	58%	42%
G-32	100%	34%	66%
G-62	100%	16%	84%
M-1	100%	0%	100%
S-6	0%	0%	0%
S-10	100%	82%	18%
S-14	100%	14%	86%
X-01	100%	0%	100%
Total	100%	58%	42%