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December 15, 2014

**BY HAND DELIVERY**

Ms. Luly Massaro  
Clerk  
R.I. Public Utilities Commission  
89 Jefferson Boulevard  
Warwick, Rhode Island 02888

Re: Docket 4393 - National Grid's Proposed Standard Offer Service Rates for the periods January 2015 through June 2015 (Residential and Commercial) and January 2015 through March 2015 (Industrial)

Dear Ms. Massaro:

On behalf of TransCanada Power Marketing Ltd., I have enclosed for filing as public comment in the above-referenced Docket the comments of TransCanada Power Marketing Ltd.

If you have any questions, please call me. Thank you.

Sincerely yours,



Richard A. Sherman

Enclosures

cc: Erin O'Dea, Esq. TransCanada Power Marketing Ltd. (w/enc.)

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**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
PUBLIC UTILITIES COMMISSION**

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**National Grid's Proposed Standard Offer Service  
Rates for the Periods January 2015 through June 2015  
(Residential and Commercial) and  
January 2015 through March 2015 (Industrial)**

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**Docket 4393**

**COMMENTS OF  
TRANSCANADA POWER MARKETING LTD.**

**INTRODUCTION**

On March 1, 2013, Narragansett Electric Company d/b/a National Grid ("National Grid") filed with the Public Utilities Commission (the "Commission") its 2014 Standard Offer Service Procurement Plan ("SOS Plan") pursuant to R.I.G.L. § 39-1-27.8 for the procurement of standard offer supply for calendar year 2014. By order issued July 2, 2013, the Commission approved National Grid's SOS Plan, including all proposed RFP documents and all other documents filed with the SOS Plan, in its entirety.

On November 19, 2014, National Grid filed with the Commission the results of its competitive procurement for the months of January 2015 through December 2016 for the Residential Group, for the months of January 2015 through December 2015 for the Commercial Group, and for the months of January 2015 through March 2015 for the Industrial Group. With that filing, National Grid also submitted and sought Commission approval for its proposed base residential and commercial standard offer service retail rates for January 2015 through June 2015 (the "Winter 2015 SOS Rates").

On November 25, 2014, the Department of Attorney General of the State of Rhode Island and Providence Plantations (the "Attorney General") filed a letter with the Commission suggesting that the Commission mitigate the impacts of the increased standard offer service rates by considering, among other things, allowing National Grid to recover the costs for customers for the Winter 2015 SOS Rates over 12-months rather than a six-month period. The Attorney General also suggested that the Commission request National Grid to estimate the likely effect of such a deferral and provide the reduced rates in an amended filing.

On December 2, 2014, National Grid filed its third response to data requests, which included estimates of any deferral of the standard offer service costs and the associated reduced rates.

In its revised procedural schedule, issued on November 28, 2014, the Commission indicated that a hearing would be held in this docket on December 16, 2014 at 10:00 AM and that public comment would be accepted at any time prior to the hearing date. Accordingly, TransCanada Power Marketing Ltd. ("TransCanada") hereby submits its comments.

## **BACKGROUND**

TransCanada is a competitive energy supplier, active in both wholesale and retail markets throughout the U.S. Northeast. It is a licensed competitive energy supplier in Rhode Island pursuant to its license issued by the Commission. In addition, TransCanada has participated as a competitive bidder in National Grid's solicitations for standard offer service. As a licensed supplier serving retail customers in National Grid's service territories and a wholesale competitor in National Grid's standard offer service procurements from time to time, TransCanada has an interest in ensuring that the terms and conditions of National Grid's standard offer service do not

adversely affect TransCanada or the continued success of competition in Rhode Island's electricity markets.

### COMMENTS

The Commission should not defer the cost recovery of the Winter 2015 SOS Rates over 12-months rather than a six-month period. Nor should the Commission approve the other options put forward to defer these rates by 5% or 10%. Deferral of the cost recovery to the next standard offer service terms would not send the appropriate price signal to customers, would hinder the energy policy objectives of Rhode Island, would have a cost impact on suppliers, and would increase risk premiums and therefore the prices resulting from future standard offer service solicitations. Instead, the Commission should allow National Grid to recover the Winter 2015 SOS Rates without any deferral to future supply term periods.

If the Commission were to defer recovery of the Winter 2015 SOS Rates, the Commission would be setting prices for National Grid's standard offer service that would be below market in the winter. This would cause customers to migrate away from competitive suppliers back to standard offer service. Of even greater concern, the deferred amounts collected during the period July 1, 2015 to December 31, 2015 would likely increase National Grid's standard offer service rates above competitive market rates. This would create the potential for a large migration, in the other direction, of load from standard offer service to competitive suppliers. Although it is not unusual for bidders for standard offer service to account for some customer migration to and from standard offer service, if the Commission defers and smooths the rates over the twelve months, it will likely cause unusually high customer migration to and from standard offer service. Such a change of the rules by the Commission after the standard offer service solicitation will cause bidders in solicitations to include high risk premiums in their bids in an attempt to account for this new uncertainty with respect to the rate setting process.

TransCanada urges the Commission and interested stakeholders to focus on the customers who are of greatest concern with respect to fluctuating energy prices: low income customers who, for whatever reason, are unable to sign a contract with a competitive supplier for electrical supply. National Grid and Rhode Island currently have programs in place to support low income customers, including financial assistance and budget payment plans. Those programs should be used to mitigate the costs of increased standard offer service to low income customers. The Commission could also explore whether assistance and budget programs currently in place for low income customers could be expanded, for example by raising qualification thresholds.

TransCanada opposes deferring the Winter 2015 SOS Rates to the next standard offer service term because it would not send the proper price signals to customers and would hinder energy efficiency and demand response programs and policies of Rhode Island. For example, in the Energy and Consumer Savings Act of 2005, the Rhode Island legislature recognized that “[e]nergy efficiency standards contribute to the economy of this state by helping to better balance energy supply and demand, thus reducing pressure for higher natural gas and electricity prices. By saving consumers and business money on energy bills, efficiency standards help the state and local economy, since energy bill savings can be spent on local goods and services.”<sup>1</sup> The energy efficiency and demand response programs will be much more successful if customers receive the proper price signals that will induce them to better manage their consumption during times when the ISO New England system is most constrained. We will only get results from these programs if customers have the financial incentive to invest in energy efficient products and reduce demand. Mitigating or delaying price impacts will hinder these programs and interfere with larger public policy objectives to rely on demand response (in its broadest terms) as a serious alternative to investments in incremental natural gas pipeline capacity.

In addition, instead of deferring the Winter 2015 SOS Rates to the next standard offer service term, TransCanada urges the Commission to recognize that competitive suppliers are the entities best positioned to respond to customers seeking to mitigate the costs of increased standard offer service rates. The competitive electricity market is intended to foster competition and choice. It follows that the Commission should not defer the Winter 2015 SOS Rates to a future standard offer service term and instead should recognize that competitive suppliers are better positioned to mitigate fluctuating energy costs by offering other products to retail customers, including contracts for fixed 12-months or other product terms.

TransCanada agrees with National Grid's concerns about the potential impacts of deferring the Winter 2015 SOS Rates as articulated by National Grid in its response to data requests. In the data requests, National Grid stated:

The Company would like to point out that lowering winter rates and increasing summer rates may significantly affect the wholesale and retail markets. Customer migration may increase as customers switch to Standard Offer in the winter and then back to non-regulated power producers in the summer. This increase in migration may have a detrimental impact on future Standard Offer solicitations because wholesale suppliers may avoid participating in SOS Requests for Proposals or may add increased risk premiums to their contract prices. Thus, higher contract prices would further increase future rates for Standard Offer Service.<sup>2</sup>

National Grid also indicated that it would further promote its Budget Billing program "which allows each customer to smooth out their energy costs across the year . . . [and which] will effect a smoothing of energy costs for participating customers, while avoiding a potential detrimental market impact on future Standard Offer rates."<sup>3</sup> National Grid concluded:

Finally, the Company emphasizes that the Budget Billing Program is the most effective solution to mitigate bill impacts to Standard Offer customers. This is because Budget Billing considers the components of both rate and volumetric usage, as well as both

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<sup>1</sup> R.I.G.L. § 39-27-2(d).

<sup>2</sup> National Grid Response to Commission Request 3-1 (December 2, 2014).

<sup>3</sup> *Id.*

commodity and delivery portions of the bill. In contrast, modifying the structure of Standard Offer rates to twelve months does not help alleviate customers' bill impacts resulting from increased usage during the cold winter months, and introduces the risk of negatively impacting prices in the future.<sup>4</sup>

TransCanada agrees with National Grid that its Budget Billing Program is the most effective solution to mitigate the Winter 2015 SOS Rates for standard offer service customers.

TransCanada also notes that the Massachusetts Department of Public Utilities (the "Massachusetts D.P.U.") recently considered substantially the same issue that is before this Commission. In October 2014, the Attorney General of Massachusetts filed a letter with the Massachusetts D.P.U. requesting that it work with National Grid and other stakeholders to determine what part if any of National Grid's basic service rates for (1) November 1, 2014 through April 30, 2015 for its residential, street lighting, and small commercial and industrial customers; and (2) November 1, 2014 through January 31, 2015 for its medium and large commercial and industrial customers could be deferred to the next basic service term. In its Order, the Massachusetts D.P.U. concluded:

[i]t is not in the public interest to adopt either of the Basic Service Proposals. Specifically, the Department finds that recalculating National Grid's basic service rate might have unintended consequences, including increasing the price of future basic service bids due to increased regulatory risk for suppliers, and increasing costs to non-basic service customers. Also, the Department finds that recalculating National Grid's basic service rates would result in higher costs for National Grid ratepayers by adding carrying costs. Therefore, the Department will not recalculate National Grid's basic service rates that were effective November 1, 2014.<sup>5</sup>

In addition, in the Order the Massachusetts D.P.U. directed the electric distribution companies "to continue their ramped up efforts to educate customers about the competitive supply market

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<sup>4</sup> *Id.*

<sup>5</sup> Massachusetts D.P.U. Docket No. 14-BSF-D3-A, Order at 15 (November 6, 2014).

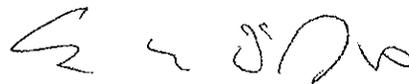
and to mitigate the impact of increases in basic service rates through promoting customers' participation in budget billing and energy efficiency programs."<sup>6</sup>

Finally, TransCanada notes that the market is responding to the gas constraint issues in New England. The Algonquin AIM pipeline is expected to become operational in the winter of 2016-2017. In addition, ISO New England recently announced three additional combined cycle units will be added to the winter reliability program as units that are now dual fuel capable. These are further indicators that the electricity markets are responding to the energy needs in ISO New England.

### CONCLUSION

TransCanada thanks the Commission for the opportunity to submit these comments and hopes that its comments and observations will assist the Commission in this docket.

Respectfully submitted,



Erin A. O'Dea  
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Westborough, Massachusetts 01581

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<sup>6</sup> *Id.*