

MEMORANDUM

May 14, 2014

TO: RHODE ISLAND PUBLIC UTILITIES COMMISSION

**FROM: RICHARD HAHN AND AL PEREIRA, LA CAPRA ASSOCIATES, ON BEHALF OF THE
DIVISION OF PUBLIC UTILITIES AND CARRIERS**

**SUBJECT: NATIONAL GRID 2015 STANDARD OFFER SUPPLY AND RENEWABLE ENERGY
STANDARD PROCUREMENT PLANS, DOCKET NO. 4490**

The Rhode Island Division of Public Utilities and Carriers (“Division”) requested that La Capra Associates, Inc. review National Grid’s (“NGrid” or “the Company”) 2015 Standard Offer Supply (“SOS”) and Renewable Energy Standard (“RES”) Procurement Plans. This memorandum first provides the results of my review of the Company’s SOS plan followed by the RES plan and concludes with recommendations.

Standard Offer Supply Procurement Plan

The 2015 SOS Plan extends and incorporates most elements of the 2014 SOS plan that was approved by the Commission in Docket 4393. NGrid proposes to continue the practice of procuring SOS for three distinct customer groups: industrial, commercial, and residential. As in the past, service for industrial customers will be procured through use of 100% load following, full requirements service (“FRS”) procured quarterly for contracts three months in duration. Service for residential and commercial customers will continue to be met through use of a mix of FRS (90%) and spot-market purchases (10%) based on schedules approved in prior dockets (4149, 4227, 4315, and 4393) that result in a layering of contracts.¹ Given past Commission orders and precedent, I see no reason to deviate from the procurement schedules used in the current (2014) procurement plan.

The Company has proposed to procure the industrial contracts through two separate quarterly solicitations for 50% of the load rather than one quarterly solicitation for the entire load. The Company claims that this may improve supplier diversity, pricing, and increased participation. In addition, the Company will require that at least two supplier bids be received per 50% block solicitation or three suppliers to submit a bid for at least one of the two blocks.

In Docket 4393, the Commission approved the Company’s proposal to not include the purchases of renewable energy and capacity from long-term contracts, net-metered generation, and qualifying facilities in its SOS procurement. Instead, the Company will continue to separately track revenues from the sale of energy and capacity from these sources in the ISO-NE invoice

¹ Direct Testimony of Margaret M. Janzen, Schedule 2.

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detail, which will allow the Company to credit capacity and energy revenues from this generation to all customers (rather than just SOS customers).² As before, I believe that this approach is consistent with the Rhode Island statute and is therefore appropriate.

Finally, I have reviewed the Company's proposed procurement process and schedule. NGrid explains that it is proposing to change the FRS procedure from that approved in the 2014 SOS Plan by posting average winning prices—but not the number of bidders or specific bid prices—for each bid block within 90 days of the final bid date found in the respective RFP.³ This change would apply to previously approved SOS plans and is being proposed to improve price transparency (and presumably increase participation and lower pricing). I support this change.

NGrid has made only non-substantive changes to the Master Power Agreement (“MPA”),⁴ SOS RFP Summary template,⁵ and SOS RFP Notice template.⁶ The proposed documents feature changes to update the text for the posting of average winning prices and allow for changes in dates and other minor changes. I recommend that the proposed Standard Offer plan and associated documents be approved.

Bid Competiveness

The Company has stated that it would consider a block solicitation competitive only if there are at least two bids to compare.⁷ NGrid indicates that bids are compared to the Company's estimate of expected bids (as discussed in the SOS RFP Notice) but that these estimates are not used to evaluate bids.⁸ Thus, even if only a single bid were received and was competitive compared to the Company's estimate, the bid block would not be awarded.⁹

I do not see the need to establish such rigid restrictions on this process, and it does not appear that this process is discussed in any SOS document. The Company's SOS RFP Summary (section 9) currently allows the Company to withdraw to terminate the RFP at any time and gives the Company the right to “accept or reject, in whole or in part, any and all proposals.” Thus, the Company currently has and has had the ability to reject a single (or all) bid(s) that it deemed non-competitive (for whatever reason).

On the other hand, a single bid received from a creditworthy entity that is competitive compared to market indicators may prove more beneficial than an alternative that is selected under the Company's SOS contingency plan. The Company should preserve its flexibility and keep the right to accept such a bid, just as it has the right to reject any and all bids for good cause. I also recommend that the Company inform the Division of its intent to not award a bid block due to “inadequate participation” and provide the comparison of the bid price to the Company's estimate of expected bid prices.

² *Id.* p. 15:11-20, p. 16: 1-4.

³ *Id.* p. 19, p. 20:1-2.

⁴ *Id.* Schedule 4

⁵ *Id.* Schedule 5

⁶ *Id.* Schedule 6

⁷ Response to Division 1-2.

⁸ Response to Division 1-7.

⁹ Response to Division 1-9.

Renewable Energy Procurement Plan

The 2015 RES Plan is basically identical to the 2014 RES Plan that was approved in Docket 4315. NGRID proposes to continue using renewable energy certificates (“RECs”) obtained through Long Term Contracts to satisfy its RES obligations and, if necessary, procure RECs through RFPs (RES or SOS) or through brokers. The Company proposes to continue the same quarterly process of valuing RECs and the use of banking or selling of any excess RECs

Similar to the MPA, the Company has made minor changes to the certificate purchase agreement (“CPA”) used to procure RECs and other REC procurement documents. The agreement and procurement documents should be approved.

Summary and Recommendations

Our review indicates that the SOS plan and the RES plan should be approved. I do not believe that the recommendations made above regarding the evaluation of bids would alter any of the proposed SOS or RES documents.