Jennifer Brooks Hutchinson
Senior Counsel

April 28, 2014

VIA HAND DELIVERY & ELECTRONIC MAIL

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

RE: Docket 4490 - 2015 Standard Offer Service Procurement Plan
2015 Renewable Energy Standard Procurement Plan
Responses to Division Data Requests – Set 1

Dear Ms. Massaro:

Enclosed are ten (10) copies of National Grid's[1] responses to data requests issued by the Division on April 7, 2014 in the above-referenced docket.

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

Very truly yours,

Jennifer Brooks Hutchinsonb

Enclosure

cc: Docket 4490 Service List
Leo Wold, Esq.
Steve Scialabba, Division

[1] The Narragansett Electric Company d/b/a National Grid ("National Grid" or "Company")

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Certificate of Service

I hereby certify that a copy of the cover letter and any materials accompanying this certificate was electronically transmitted to the individuals listed below. Paper copies of this filing were hand delivered to the RI Public Utilities Commission and the RI Division of Public Utilities and Carriers.

Joanne M. Scanlon

April 28, 2014
Date

Docket No. 4490 - National Grid – 2015 SOS and RES Procurement Plans
Service List updated 4/8/14

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Division 1-1

Request:

Please explain how the smaller bid blocks for the industrial solicitations (discussed on pp. 12 and 13) will be beneficial from a pricing perspective?

Response:

In the past, the Company has found value in utilizing feedback from wholesale suppliers as one of the inputs in developing efficient procurement plans. In preparation for Docket No. 4149[1], the Company conducted a confidential survey of wholesale suppliers in efforts to seek valuable market information on the most efficient method to structure Full Requirements Service ("FRS") transactions that deliver full value to Standard Offer customers. In this survey the FRS suppliers had indicated their preference for bid blocks of approximately 50 MW.

The current Residential and Commercial Groups' bid blocks are closer to this preferred MW bid block size than the Industrial Group's bid blocks. The Residential Group's bid blocks are either 15% or 20% of the load requirements, which equates to approximately 55 to 75 MW bid blocks. The Commercial Group's bid block is 30% of the load requirements and is approximately a 45 MW bid block. However, the Industrial Group's single bid block is approximately 90 MW in size. Under the Company's proposal, this bid block will become two bid blocks of approximately 45 MW.

More recently, several FRS suppliers reiterated their preference for smaller bid block sizes for the Industrial Group. Two identical bid blocks for the Industrial Group may result in beneficial pricing by possibly decreasing risk premiums embedded in the bid prices. A winning supplier is responsible for all risks once it is awarded a bid block. If the bid block size is larger than preferable, then the supplier may include additional premiums. If the Industrial Group has two smaller bid blocks, as the Company has proposed, the supplier may reduce the premium associated with size, thus reducing the overall cost to customers. Smaller bid blocks for the Industrial Group may also increase the number and diversity of bidders, providing them flexibility in the amount of contractual commitment.

[1] National Grid's Proposed 2011 Standard Offer Supply Procurement Plan and 2011 Renewable Energy Supply Procurement Plan.

Prepared by or under the supervision of: Margaret M. Janzen

Division 1-2

Request:

Please describe the origin or the basis for the statement on p. 13 that "A bid block must receive at least two supplier bids to be deemed competitive."

Response:

The Company considers an RFP competitive if there are at least two bids to compare to each other for a bid block. By definition, the term "competitive" relates to a situation in which someone is trying to win something ahead of others, which implies that more than one participant is required. If a bid block receives only one bid, no comparison can be made among the participants to determine the lowest, and therefore winning, bid; thus, a sole bid cannot be conclusively deemed competitive. Having two or more bids from separate participants in an RFP ensures that a comparison among bids can be made, and that the participant supplying the lowest bid can be awarded the contract.

To clarify, the Company would need to compare two or more bids from suppliers; the Company would not consider using its internal estimated market price to compare to a supplier's bid. The Company's estimate of market prices is not a binding contractual bid to provide SOS, nor should it be used to determine whether bids are competitive.

Division 1-3

Request:

Please describe any differences between the proposed 2015 SOS portfolios for the commercial and residential groups and those found in the 2014 SOS plan.

Response:

The proposed Residential and Commercial Groups' 2015 SOS portfolio is not different from the 2014 SOS portfolio.

Division 1-4

Request:

Please explain the term "average winning price" found on p. 19, line 3 and how prices will be averaged (preferably with an example).

Response:

Bid prices may vary by calendar month or may be the same for the bid block's entire period. The Company averages the monthly bid prices by multiplying each month's price by its monthly load weighting. The monthly load weighting is that month's expected load divided by the entire period's expected load. The following is an illustrative example of a winning bid for the Industrial Group for the period of July 1, 2014 through September 30, 2014.

		Monthly Load Weighting		38%	32%	30%	**Average**
Block	**Group**	**Start**	**End**	**Jul-14**	**Aug-14**	**Sep-14**	**Price**
A	Industrial	07/01/2014	09/30/2014	100.00	95.00	90.00	95.40

Only the "average winning price" of 95.40 will be posted on the National Grid website.

Prepared by or under the supervision of: Margaret M. Janzen

Division 1-5

Request:

Please explain why the Company did not propose to post average winning prices in prior SOS plans.

Response:

National Grid is always open to improving its RFP process while protecting sensitive market information. As described in the response to Division 1-1, the Company has found value in utilizing feedback from wholesale suppliers as one of the inputs in developing efficient procurement plans. Through its confidential survey of wholesale suppliers in Docket No. 4149[1] and through subsequent conversations, the Company learned that suppliers prefer price transparency in order to determine and improve the competitiveness of their bids. With this information, the suppliers may reevaluate their bid process, risk premiums, and assumptions included in their bids, which may result in lower pricing.

The Company researched other jurisdictions and learned that some other utilities and FERC eventually disclosed prices. After internal discussion and consideration, the Company concluded that average winning prices would be the appropriate level of price transparency. It maintains the confidentiality of suppliers and their individual bids and also protects the number of bidders participating in an RFP, while accomplishing the objective of giving valuable feedback to suppliers in order to improve their future pricing.

[1] National Grid's Proposed 2011 Standard Offer Supply Procurement Plan and 2011 Renewable Energy Supply Procurement Plan.

Division 1-6

Request:

Please provide the web address where transaction prices would be reported, as discussed at pp. 19-20.

Response:

The Company has a website with information necessary for wholesale suppliers to prepare their bids:

See: http://www.nationalgridus.com/energysupply/

This website has information such as RFP documents and historical load data. The Company proposes to report the historical transaction prices on this website.

Division 1-7

Request:

Please explain why there is a need for SOS contingency plans in 2015 plan but not in prior plans.

Response:

The Company has proposed an SOS contingency plan in the past. In Docket No. 4149[1], the Company proposed a contingency plan that "would be used in the event that: (1) an SOS supplier defaults on its contract; or (2) the Commission does not approve winning bids sufficient to meet the supply solicited."[2] The second event related to a Company proposal that the PUC approve solicitation results, which the PUC rejected in Order No. 20125. The proposed contingency plan included the use of spot market purchases and unscheduled full requirements service ("FRS") solicitations.

As described in the Direct Testimony of Margaret M. Janzen in Docket No. 4490 (page 18), the ISO-NE created a Winter Reliability Program in the summer of 2013. Due to the cost allocation uncertainty associated with this program, and because the Company aims to minimize volatility and risks for SOS customers, the Company submitted a notification letter to the PUC indicating that it would delay certain August procurements under the 2013 SOS Procurement Plan. The Company later filed an amendment to its 2013 SOS Procurement Plan, which the PUC approved on September 24, 2013.

The ISO-NE Winter Reliability Program was a market event that could have impacted the competitiveness of prices or number of bidders. After its experience with the Winter Reliability Program, the Company decided to formalize its process to proactively address possible future events that may disrupt the competitiveness of a SOS RFP. Similar to the previously proposed contingency plan in Docket No. 4149, this proposed contingency plan includes the use of spot market purchases and FRS solicitations.

[1] National Grid's Proposed 2011 Standard Offer Service Procurement Plan and 2011 Renewable Energy Standard Procurement Plan. Order No. 20125, effective on August 5, 2010 pursuant to an open meeting decision. Written order issued on September 23, 2010.
[2] Docket No. 4149, Direct Testimony of Margaret M. Janzen, page 19, lines 4-6.

Division 1-8

Request:

Please explain whether the Company evaluates bids against market indicators, such as forward prices, or whether the Company has always awarded the block to the lowest bidder (assuming adequate participation) regardless of any such evaluation.

Response:

The Company selects the winning suppliers based on a least cost approach: it awards SOS supply contracts to suppliers which submit bids that would result in the lowest overall cost for all SOS customers.

The RFP Summary includes the Company's calculation of expected bid prices that incorporate the historical relationship of the bid prices to all market components included in the bid price. The calculation utilizes NYMEX electric futures and estimates of capacity and ancillary services. As described in previous dockets, the Company does not use its estimate of expected bid prices as a means to evaluate the bids or to determine whether or not bids received were excessive and should be rejected. This pricing point on the final bid date is only for the purpose of the RFP Summary for the benefit of the Division and the PUC.[1] The lowest overall cost is the basis for determining the winning bidders.

[1]The indicative bid date's expected bid prices are used internally by the Company for certain transaction authorizations and reporting.

Prepared by or under the supervision of: Margaret M. Janzen

Division 1-9

Request:

Please confirm that the Company would not award a bid block due to "inadequate participation" even if pricing was competitive compared to estimated market prices.

Response:

Yes, the Company confirms that it would not award a bid block if there are fewer than two bidders, pursuant to the Company's proposed contingency plan.

As described in the Company's response to Division 1-8, the Company evaluates and awards bids that would result in the lowest overall cost for all SOS customers. It does not use its estimate of expected bids as a means to determine whether bids received are competitive.

An estimated market price is not a binding bid to provide SOS to Rhode Island customers; the Company could not award a bid block at an estimated market price. An estimated market price is simply an informational data point, which contains assumptions about various market prices and risk premiums under normal market conditions. If market conditions are not normal (which could lead to inadequate bidder participation), assumptions regarding components based on normal market events may no longer be valid.

Also, as described in its response to Division 1-2, the Company has concluded that a bid block cannot be considered competitive if it receives one bid or less. Because an estimated market price is informational only and cannot be awarded contractually, a competitive solicitation will not have occurred if there are fewer than two bids to compare.

Finally, even if it were somehow determined that an estimated market price is sufficient to validate a single bid, there is no procedure for determining which bids are excessive and which are acceptable. Any threshold to determine whether a bid is excessive would be an arbitrary amount.

Prepared by or under the supervision of: Margaret M. Janzen

Division 1-10

Request:

Has the Company ever employed "alternative measures" or not awarded the bid block in past solicitations? If so, for which solicitations?

Response:

Since January 1, 2010, there are only two instances when a scheduled procurement did not occur for Standard Offer Service ("SOS").

In the first instance, the Company employed alternative measures in its SOS Request for Proposal ("RFP") issued on August 9, 2013 in response to a market event. As described in the Direct Testimony of Margaret M. Janzen (page 18), the ISO-NE created a Winter Reliability Program in the summer of 2013. Because of the cost allocation uncertainty associated with this program, and out of concern about the impact on SOS bid prices, on August 13, 2013, the Company filed a notification letter with the PUC noting that it was postponing certain solicitations until after FERC issued its ruling on cost allocation. The Company also shortened the transaction period for the Industrial Group.

The second instance was not part of a contingency plan in reaction to a market event, but rather, was a transitional measure to layer in transactions. On February 17, 2010, the Company did not award a scheduled bid block. At the time of the RFP, the Company was transitioning to its recurring laddered and layered procurement schedule. The Company had solicited two 12.5% bid blocks for the Small Customer Group for the period October 1, 2010 through March 31, 2011 and, after consultation with the Division, the Company awarded one of the blocks and planned to award the other block in a future RFP. The Company's intent was to ladder and layer the transactions for this October 2010 to March 2011 period. Of the 12.5% bid block not awarded to a supplier, 7.5% of the remaining obligation was procured in the May 2010 RFP, and the remaining 5% obligation was procured in the spot market.

Prepared by or under the supervision of: Margaret M. Janzen

Division 1-11

Request:

Please provide the annual amounts of energy and capacity that are expected to be purchased through December 2016 from each of the following three sources:

a. Long-term Renewable Contracts
b. Net metered facilities
c. Renewable Qualifying Facilities

Response:

Please see the table below for the amounts of renewable energy and capacity that are expected to be purchased through December 2016 from RI Long Term Contracts, Net Metered Facilities, and Qualifying Facilities (QFs).

Renewable Generation Type	2014		2015		2016	
	Energy (MWh)	Capacity (MW)	Energy (MWh)	Capacity (MW)	Energy (MWh)	Capacity (MW)
Long-Term Renewable Contracts (1)	288,681	33.3	309,975	36.9	369,637	42.2
Net Metered Facilities (2)	518	-	595	-	684	-
Qualifying Facilities (3)	10,750	0.7	10,750	1.4	10,750	1.4
TOTAL	**299,948**	**33.9**	**321,321**	**38.3**	**381,071**	**43.6**

Notes:

(1) The expected energy and capacity values from 2014-2016 Long Term Renewable Contracts ("LTCs") include contracts under the Long Term Contracting Standard for Renewable Energy and the Distributed Generation ("DG") Standard Contracts Act. The Company made various assumptions regarding the LTCs, including commercial operation dates, project size, capacity factors, and future DG contract enrollments for the remainder of the program.

(2) The actual 2013 Net Metered excess generation output of 450 MWh with an estimated annual growth rate of 15% was used to estimate the energy purchases for 2014-2016. Net Metered Facilities are not qualified as capacity resources.

(3) The actual 2013 renewable Qualifying Facility generation was used to estimate 2014-2016 QF energy purchases. Actual qualified capacity values in the ISO-NE Forward Capacity Market for 2014-16 were used for capacity purchases.

Prepared by or under the supervision of: Margaret M. Janzen