

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: THE NARRAGANSETT ELECTRIC COMPANY :
d/b/a NATIONAL GRID'S PROPOSED 2015 STANDARD :
OFFER SUPPLY PROCUREMENT PLAN AND 2015 : DOCKET NO. 4490
RENEWABLE ENERGY SUPPLY PROCUREMENT PLAN :

REPORT AND ORDER

I. National Grid's 2015 SOS Procurement Plan

On March 1, 2014, Narragansett Electric Company d/b/a National Grid (National Grid or Company) filed with the Public Utilities Commission (Commission) its 2015 Standard Offer Service (SOS) Procurement Plan (SOS Plan) and 2015 Renewable Energy Standard Procurement Plan (RES Plan) pursuant to R.I.G.L. §39-1-27.8 and §39-26-4, respectively, and Commission Rules Governing the Implementation of a Renewable Energy Standard. Similar to past standard offer service filings, the Company's 2015 SOS Procurement Plan contained a detailed description of the Company's process of procuring standard offer supply for 2015. The 2015 SOS Plan included the Master Power Agreement and RFP documents for which the Company also sought approval.

The proposed 2015 SOS Plan is similar to the 2014 SOS Procurement Plan approved by the Commission in Docket 4393 with a few exceptions discussed below. The Company proposed continuing the practice of procuring SOS supply through a mixture of full requirement service (FRS) contracts and ISO-NE spot market purchases for the Residential and Commercial Groups.¹ For the Industrial Group, the Company proposed to continue procuring 100% of the load through quarterly solicitations of FRS contracts.² In the past the Company has procured 100% of the Industrial contract in one bid block. For 2015, however, the Company proposed

¹ National Grid's 2015 SOS Plan at 8, 12.

² Id. at 10.

procuring the Industrial load through two 50% bid blocks.³ The 50% bid blocks are intended to result in improved pricing, supplier diversity and increased bidder participation.⁴

Similar to prior years, the Company's proposed method of procuring standard offer service supply continues to be based on the particular needs of the three customer groups, Industrial, Commercial and Residential. Specifically, the Company seeks shorter term supply contracts for the Industrial and Commercial Groups, since these customers are considered to be more willing and able to respond to price signals and access competitive retail supply markets.⁵ The Company considers Residential customers least likely to respond to price signals and as a result, strives to obtain pricing stability for this customer group by procuring bid blocks of either 15% or 20% of the load requirements. The smaller bid blocks for the Residential Group are designed to benefit pricing through increased supplier diversity and bidder participation.⁶

The Company's 2015 SOS Procurement Plan contains two changes to the procurement method approved in prior years. First, in order to improve transparency in the RFP process, the Company proposed to publish on its website the average winning bid price for each bid block within ninety days of the RFP's final bid date.⁷ The Company said this practice is consistent with the procurement process followed in other states and enables suppliers to evaluate the competitiveness of their bids.⁸ Second, the Company proposed contingency plans to employ when there is either inadequate bid participation or a significant market event affecting the competitiveness of pricing or bidders during a SOS RFP.

³ Id.

⁴ Id. at 10-11.

⁵ Id. at 9.

⁶ Id. at 10-11.

⁷ Id. at 17.

⁸ Id.

The Company defined inadequate bid participation as any solicitation involving less than two bids. In such circumstances, the Company would follow specific steps depending on the number of bids received. If no bids were received following the issuance of a RFP, the Company would inform the Division of this fact and the Company's intention to take alternative steps. The Company would then issue a new RFP with final bids due the following week. If the new RFP yields zero bids, and the bid block is for the immediate rate period starting within six weeks, the Company would procure the bid requirements in the ISO-NE spot market.⁹ For bid blocks that are three months in duration, the Company would procure the requirements for the entire period through the ISO-NE spot market. If the bid block is six months in duration, the Company would procure the requirements for the first three months in the next quarterly RFP. If that RFP is not successful, the Company will continue to procure the requirements through the ISO-NE spot market for the remainder of the period. Estimated market prices would be used as a proxy for the spot purchases to set the retail rates for the immediate rate period.¹⁰ If the bid block does not start in the immediate rate period, the Company would solicit the bid block in the next quarterly RFP. If the RFP is unsuccessful, the Company would purchase the requirements through the ISO-NE spot market.¹¹

If a single bid is received from the new RFP, the Company will share the bid result with the Division, and if the Company and the Division agree that the bid is reasonably priced, the Company will accept the bid.¹² In determining whether the bid is reasonable, the Company will compare the bid to bid price estimates. The Company will confer with the Division on the final bid date between 10:00 and 12:00, giving the Division ample advance notice of the final bid date.

⁹ Letter of National Grid at 1. (06/25/14)

¹⁰ Id. at 2.

¹¹ Id.

¹² Id. at 2. The Company originally proposed an automatic rejection of single bids but amended its proposal on June 25, 2014 to accommodate the Division of Public Utilities and Carriers.

If the Division is unavailable during this two-hour window then the Company will use a previously agreed upon bid price variance to determine whether to accept the bid. The bid price variance, or threshold, will be the difference between the single bid and the Company's bid price estimate, or an acceptable percentage amount greater than the Company's bid price estimate upon which the Division and the Company both agree.¹³ If the bid price exceeds the agreed upon threshold, the Company will reject the bid.¹⁴ If the single bid is rejected, the Company will issue a new RFP with final bids due the following week. For the second RFP, the Company will review the bid results and bid price estimates with the Division, using an agreed upon threshold and following the same process established for the first RFP. If the single bid is rejected, and the bid block is for the immediate rate period to begin within six weeks, the Company would procure the load requirements in the ISO-NE spot market. For bid blocks that are three months in duration, the Company will procure the load requirements for the entire period in the ISO-NE spot market. For bid blocks that are six months in duration, the Company will procure the load requirements for the first three months in the ISO-NE spot market, and the requirements for the remaining three months would be solicited in the next quarterly RFP. If the next RFP is not successful, the Company would procure the requirements through the spot market. For bid blocks that do not begin in the immediate rate period, the Company would solicit the requirements in the next quarterly procurement, and if that solicitation is unsuccessful, it would procure the requirements through the spot market.¹⁵

The Company proposed the following contingency plan to address significant market events. If a market event occurs which affects pricing or the number of bidders in an RFP, the Company would take the following steps:

¹³ Id. at 2.

¹⁴ Id.

¹⁵ Id. at 3.

1. Inform the Division there is a market event and that the Company will employ alternative measures;
2. Identify the expected duration of the market event, if possible;
3. Develop the following alternative plans to successfully complete the competitive solicitation:
 - a. If there is a short-term market event, the Company would postpone the final bid date;
 - b. If there is a long-term market event, the Company would alter the product or terms of the transactions to improve pricing or bidder participation;
4. The Company would communicate the alternative plan to the Division and execute the plan.¹⁶

II. National Grid's 2015 RES Procurement Plan

The Company's 2015 RES Procurement Plan is the same as the 2014 RES procurement plan approved by the Commission on June 28, 2013 (Docket 4393). The Company would continue to purchase RECs through a combination of long-term renewable contracts, RES RFPs, SOS RFPs or through brokers.¹⁷ The Company's RES procurement is integrated with its standard offer service procurement, meaning that it solicits RECs at the same time it solicits standard offer supply. The Company, however, reserves the right not to purchase RECs simultaneously with standard offer supply, if the price of the RECs is higher than available market pricing. The Company also may not need to purchase RECs during a given SOS solicitation, given the amount of new RECs projected from long-term renewable contracts.¹⁸ The Company projected its new RES requirement through 2016 and the projected output of new

¹⁶ Testimony of Margaret Janzen at 21-22.

¹⁷ Id. at 27.

¹⁸ Id. at 29-30.

RECs from long-term renewable contracts and concluded that it will likely satisfy most of the new RES requirement through 2016.¹⁹ In 2017, the Company projected that new RECs from long-term contracts would likely exceed the new RES obligation.²⁰ The Company represented that there is an abundance of existing RECs and does not anticipate a problem meeting the existing REC requirement for 2015.²¹ If the long-term renewable contracts provide RECs in excess of the Company's RES requirement, the Company may either bank up to 30% of the RES obligation or sell the RECs through standalone RES Requests for Bids or a third party broker.²² If the excess RECs from long-term renewable contracts exceed the RES obligation as well as the allowable banking limit, the Company must sell these RECs or they will expire and become worthless.²³ As noted above, since the amount of new RECs to be acquired from long-term renewable contracts in 2017 will likely exceed the RES requirement and the 30% banking allowance, the Company will sell those excess RECs.²⁴ Revenue from the sale of these excess RECs will be credited to delivery customers through the long-term contract recovery factor, consistent with past practice.²⁵ The Company also requested approval of the Certificate Purchase Agreement (CPA), the RFP Notice and the RFP Summary, which contained no significant changes from those approved in 2014.

III. Division Memorandum

Division consultants, Richard Hahn and Al Pereira, filed a joint memorandum on May 14, 2014 reviewing National Grid's 2015 SOS and RES Procurement Plans. The consultants

¹⁹ Id. at 30-31; Schedule 7 at 3.

²⁰ Id. at 31; Schedule 7 at 3.

²¹ Id. at 30.

²² Id. at 26; See also R.I. Gen. Laws §39-26.1-5 and PUC Rules Governing the Implementation of a Renewable Energy Standard (§7.4).

²³ Id. at 26.

²⁴ Id. at 31.

²⁵ Id.

disagreed with the National Grid's premise that solicitations involving less than two bids could not be considered competitive. They also disagreed with the contingency plan originally proposed by National Grid's in the event of inadequate bidder participation. The Division's consultants felt that National Grid ought to review single bids with the Division and evaluate their competitiveness based on a comparison with market estimates. The Company originally proposed an automatic rejection of single bids followed by subsequent RFPs and spot purchases but later amended its proposal to accommodate the Division. The consultants otherwise agreed with all aspects of the Company's 2015 SOS and RES Procurement Plans and recommended approval.

III. Decision

At an open meeting held on June 30, 2014, the Commission considered the Company's proposed 2015 SOS and RES Procurement Plans and approved the same.

Accordingly, it is hereby

(21826) ORDERED:

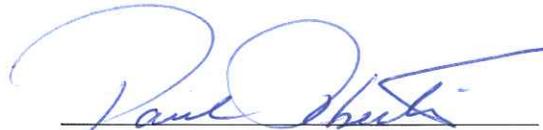
1. Narragansett Electric Company d/b/a National Grid's 2015 Standard Offer Service Procurement Plan is approved, as modified by the terms of the agreement concerning the contingency plan for inadequate bidder participation, filed June 25, 2014;
2. All attachments to the 2015 Standard Offer Service Procurement Plan, including all proposed RFP documents, are approved as filed;
3. Narragansett Electric Company d/b/a National Grid's 2015 Renewable Energy Standard Procurement Plan is approved in its entirety;
4. All documentation filed with the 2015 Renewable Energy Standard Procurement Plan, including all proposed RFP documents, are approved as filed;

5. Narragansett Electric Company d/b/a National Grid shall file its Proposed 2016 Standard Offer Service Procurement Plan and 2016 Renewable Energy Standard Procurement Plan no later than March 1, 2015.

EFFECTIVE AT WARWICK, RHODE ISLAND ON JUNE 30, 2014 PURSUANT TO AN OPEN MEETING DECISION. WRITTEN ORDER ISSUED FEBRUARY 23, 2015.

PUBLIC UTILITIES COMMISSION


Margaret E. Curran, Chairperson


Paul J. Roberti, Commissioner


Herbert F. DeSimone, Commissioner



NOTICE OF RIGHT OF APPEAL: Pursuant to R.I. Gen. Laws §39-5-1, any person aggrieved by a decision or order of the PUC may, within seven (7) days from the date of the order, petition the Supreme Court for a Writ of Certiorari to review the legality and reasonableness of the decision or order.