

February 4, 2015

**BY HAND DELIVERY AND ELECTRONIC MAIL**

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

**RE: Docket 4536-A - Tariff Advice Filing for Renewable Energy Growth Program and Solicitation and Enrollment Process Rules**  
**Response to Division Data Request 1-8**

Dear Ms. Massaro:

I have enclosed ten (10) copies of National Grid's<sup>1</sup> response to Division 1-8 issued on January 14, 2015 in the above-referenced docket.

This transmittal completes the Company's responses to the Division's First Set of Data Requests issued in this matter.

Thank you for your attention to this matter. If you have any questions concerning this filing, please contact me at 781-907-2121.

Very truly yours,



Raquel J. Webster

Enclosures

cc: Docket 4536-A Service List  
Steve Scialabba, Division  
Leo Wold, Esq., Division  
Karen Lyons, Esq., Division

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<sup>1</sup>The Narragansett Electric Company d/b/a National Grid (the Company).

Service List

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

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



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Joanne M. Scanlon

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Date

**Docket No. 4536-A National Grid Tariff Advice Filing for Renewable Energy Growth Program (RE Growth Program) and Solicitation & Enrollment Process Rules for 2015**

**Docket No. 4536-B RI Distributed Generation Board (DG Board) Report and Recommendation Regarding 2015 Renewable Energy Growth Classes, Ceiling Prices and Targets**

Service List updated 1/9/15

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Division 1-8

Request:

Please state why capacity is not included in the market products described on p. 40.

Response:

With the exception of small-scale solar projects, R.I. Gen. Laws §39-26.6-21(a)(3) allows the Company to choose to acquire the capacity of the DG projects under the tariffs. Section 7.b of the proposed tariff for non-residential customers, RIPUC No. 2152, states that, “[f]or the term specified in the applicable Tariff supplement, the Company shall have their revocable rights and title to the following products produced by the DG Project: (1) RECs; (2) energy and capacity ...” Therefore, the Company has elected to take title to the capacity of projects under that non-residential tariff. However, due to recent Forward Capacity Market (FCM) rule changes described below (which continue to evolve), the Company is performing a cost benefit analysis on the options available for this capacity.

On October 2, 2014, FERC issued an order accepting in part, subject to condition, and rejecting in part, ISO New England's (ISO-NE) July 14, 2014 compliance filing, which had been filed in response to directives in FERC's prior order issued on May 30, 2014. The May 30 order accepted (subject to certain changes) an ISO-NE proposal to change the payment structure in the FCM in which those payments could include a performance payment or charge (the so-called 'Performance Incentive' structure). That Performance Incentive structure, as modified by the May 30 order, provides for payments and penalties based on a resource's performance during 'Capacity Scarcity Conditions.' ISO-NE's proposal did not include exemptions to the penalties for failures to perform, which FERC's May 30 order questioned. That May 30 order also increased the so-called 'reserved constraint penalty factor,' which results in a materially higher price of energy during times of limited reserves.

The May 30 order required ISO-NE to file revised Markets Rules reflecting the rulings in that order. Although the October 2 order accepted nearly all the provisions proposed in ISO-NE's compliance filing, it rejected ISO-NE's compliance proposal relating to an exemption for resources on the export side of an intra-zonal transmission constraint during a Capacity Scarcity Condition, and effectively accepted ISO-NE's earlier arguments against allowing for any exemption from performance penalties, no matter the cause. Certain parties in the FERC proceeding have requested rehearing of that October 2 order, and those requests are pending. As a result of both the rehearing requests and the continued implementation of these changes, the ultimate direction of the capacity market remains unclear.

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In addition, the ISO-NE Distributed Generation Forecast Working Group has been developing a comprehensive process for accounting for all DG/solar PV connected to the ISO-NE system, whether behind the meter or directly interconnected, and a forecast of that capacity and energy going forward several years. Staff of ISO-NE managing that working group has indicated an interest in using the DG/solar PV forecast to more accurately measure the Installed Capacity Reserve (ICR) quantity, potentially removing capacity that is expected to be provided by solar PV from the capacity obligation the ISO-NE must purchase in each FCM auction. This process is ongoing with additional committee and stakeholder input through 2015, and presents additional uncertainty in how the ISO-NE would recognize the capacity contributions of DG resources, in particular those from solar PV installations.