

May 19, 2015

**VIA HAND DELIVERY AND ELECTRONIC MAIL**

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

**RE: Docket 4556 - 2016 Standard Offer Service Procurement Plan  
2016 Renewable Energy Standard Procurement Plan  
Responses to PUC Data Requests – Set 2**

Dear Ms. Massaro:

Enclosed are ten (10) copies of National Grid's<sup>1</sup> responses to the second set of data requests issued by the Rhode Island Public Utilities Commission in the above-referenced matter.

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

Very truly yours,



Jennifer Brooks Hutchinson

Enclosure

cc: Docket 4556 Service List  
Leo Wold, Esq.  
Steve Scialabba, Division

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

COMM 2-1

Request:

Page 16, line 14. Please confirm that the Company is proposing to solicit flat bids in its SOS procurement for both the residential and commercial groups. In its memorandum to the Commission, the Division discusses flat pricing as one of two modifications the Company is proposing solely to the commercial group. (Division memorandum at 12).

Response:

As discussed in the Rebuttal Testimony of Margaret M. Janzen filed on May 8, 2015, the Company has withdrawn its request for approval of a procurement strategy with a flat bid price structure for both the Residential and Commercial Groups.

COMM 2-2

Request:

Does the Company maintain records of bids received in prior solicitations? If so, provide the most recent available 2-year comparison of flat and shaped bids in one of the Company's U.S. service territories where both bids were accepted. Provide the average differential between flat and shaped bids for the 2-year period covered.

Response:

Yes, National Grid maintains records of bids in its solicitations. However, National Grid has not accepted both a flat and shaped bid for transactions with the same characteristics<sup>1</sup> in any of its solicitations for Rhode Island or for its affiliates in other states. Thus, National Grid cannot perform a comparison between accepted flat and shaped bids. However, this type of pricing differential may be available from a wholesale supplier of full requirements service, such as NextEra Energy Power Marketing, LLC.

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<sup>1</sup> Transactions with the same characteristics are for the same procurement group for identical start and end dates and load share percentage. An example would be transactions for 50% of the Industrial Group for January 2016 through March 2016.

COMM 2-3

Request:

In Massachusetts, the Company recently represented that the billing adjustment prevented competitive suppliers from gaming the system by using basic service as a competitive supply option. (MA DPU Order No. 14-140-A at 7.) The Company is proposing in this docket to solicit flat bids and eliminate the billing adjustment. Does the proposal in this docket increase or decrease the Company's concern about gaming by competitive suppliers? Include reasons to support your response.

Response:

Elimination of the Standard Offer Service (SOS) Billing Adjustment, either through a flat bid price structure or through the Standard Offer Service Cost Adjustment Provision, increases the likelihood of gaming the system by competitive suppliers.

Competitive suppliers can game the system by structuring customers' contracts to begin after the high winter months to generate savings when compared to the fixed SOS rate. For example, if a competitive supplier signs up customers for service to begin at the same time as the SOS rate change at the beginning of the year, then its fixed prices would include the relatively higher costs for January and February. By including these higher-cost months, the competitive supplier's rates may not generate savings when compared to the SOS rate. However, by offering a contract in March through the end of the year, the competitive supplier's fixed price would be lower than the SOS rate because it did not include the high-cost months of January and February. If the SOS Billing Adjustment was no longer in effect, then a residential customer that switched in March would have shifted approximately 40% of its January and February costs to other customers<sup>1</sup>.

A possible example of gaming the system by a competitive supplier would be a recently advertised 8.99 cents/kWh fixed price for the remaining months of 2015<sup>2</sup>. Because the offer was extended in the latter half of February through March 15, the contract start date most likely would be in March or April 2015. Thus, this contract offer avoided the high cost months of January and February 2015 and would end in December 2015. Because this contract offer reverts to variable pricing in January 2016, which is when higher monthly prices would occur, these customers may return to SOS in January and February 2016 to avoid high variable prices, and then would be able to leave SOS again for a competitive supplier in March 2016 without

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<sup>1</sup> For reference in this calculation: The fixed price option base rate is 10.248 cents/kWh; the January rate is 18.671/kWh; the February rate is 17.770 cents/kWh.

<sup>2</sup> John Howell, "Time to plug into lower rates?" Warwick Beacon, February 26, 2015.

COMM 2-3, page 2

paying their share of the high winter costs. This is why the Company recommended in May 8, 2015 Rebuttal Testimony of Margaret M. Janzen that it is appropriate to recover the cost impact resulting from eliminating the SOS Billing Adjustment from all delivery service customers, rather than just SOS customers.

To clarify, it is permissible under the Rhode Island Utility Restructuring Act of 1996 for competitive suppliers to offer these types of contracts. For example, structuring contracts to begin in March and end in December is permissible under Rhode Island law. The Company is only pointing out that, with the elimination of the SOS Billing Adjustment, competitive suppliers may be incentivized to offer these types of contracts since it will provide them with an opportunity to gain more customers who have shifted their January and February winter costs to all delivery service customers, thus generating customer savings.

COMM 2-4

Request:

Does the Company intend to follow the same process established in Docket 4490 for solicitations involving single bids?

Response:

Yes, the Company intends to follow the approved contingency plan described in the Direct Testimony of Margaret M. Janzen in Docket No. 4490 (filed March 3, 2014), and later amended in a letter on June 25, 2014. This contingency plan established a procedure in the event of inadequate bidder participation, which is defined as zero or one bid for a bid block.

COMM 2-5

Request:

- a) Assuming the 2016 SOS Plan is approved, what is the date of the first RFP that would be conducted soliciting flat bids.
- b) Assuming the 2016 SOS Plan is approved, and assuming the first RFP using flat bids will occur in July of 2015, explain why the billing adjustment will not be eliminated until December of 2016.
- c) The reason given for the December 2016 elimination of the billing adjustment was that shaped bids would need to be completely expired and replaced by flat bids (Page 18, line 10). Isn't it true, however, that if the 2016 Plan is approved, flat bids would be implemented immediately (in the next RFP) and apply to transactions not yet executed pursuant to the 2015 Plan (as stated on Page 16, line 18)? If yes, is the reason for the December 2016 elimination of the billing adjustment due to the fact that contracts have already been purchased (for the residential group) pursuant to the 2015 Plan, at approved averaged monthly rates, through December of 2016? If no, explain why it will take until December of 2016 for the billing adjustment to be eliminated.

Response:

For reasons presented in the Rebuttal Testimony of Margaret M. Janzen filed on May 8, 2015, the Company has withdrawn its request for approval of a procurement strategy with a flat bid price structure. Nonetheless, the Company has responded to the questions asked based on its initial proposal set forth in the Direct Testimony of Margaret M. Janzen filed on March 2, 2015.

- a) Under the Company's initial proposal, the PUC approval date would have determined the date of the first RFP to solicit flat bids. If the Company had received PUC approval on its initial proposal prior to July 10, 2015, flat bid pricing would be solicited in the Company's third quarter solicitation, which is expected to be issued on that day.
- b) In order to completely eliminate the monthly variation between monthly contract prices and the flat seasonal SOS rate, all existing shaped price transactions must expire and be replaced by flat price transactions. When all of SOS' underlying contracts are flat priced, then the need for the SOS Billing Adjustment will be eliminated, since there will be no price difference between the SOS rate and the contracts. The Company has two existing contracts (one executed on November 12, 2014 and the other on February 18, 2015) that end on December 31, 2016. Under the Company's initial proposal, it was noted that these

COMM 2-5, page 2

shaped price contracts must expire to eliminate the need for the SOS Billing Adjustment on a gradual basis. Therefore, the SOS Billing Adjustment would become unnecessary after December 2016.

- c) The SOS Billing Adjustment would not be eliminated until December 2016 as a result of contracts executed pursuant to the 2014 and 2015 Standard Offer Service Procurement Plans for the Residential Group. The contracts executed on November 12, 2014 and February 18, 2015 are shaped transactions that end in December 2016.



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 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

May 19, 2015  
Date

**Docket No. 4556 - National Grid – 2016 Standard Offer Service (SOS) and Renewable Energy Standard (RES) Procurement Plans  
Service List updated 4/29/15**

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