

August 14, 2015

VIA HAND DELIVERY & ELECTRONIC MAIL

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

**RE: Solicitation for Proposals for Clean Energy Projects
Pursuant to R.I.G.L. § 39-31-1 *et seq.*
Responses to Division Data Requests – Set 2**

Dear Ms. Massaro:

Enclosed are ten (10) copies of National Grid's¹ responses to the Division's Second Set of Data Requests, containing only one data request within this set, in the above-referenced docket.

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

Very truly yours,



Brooks Hutchinson

Jennifer
Enclosures

cc: Docket 4570 Service List
Steve Scialabba, Division
Jon Hagopian, Esq.
Leo Wold, Esq.
Nick Ucci, Office of Energy Resources

¹ The Narragansett Electric Company d/b/a National Grid (National Grid or the Company).

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.

Joanne M. Scanlon

August 11, 2015

Date

**Docket No. 4570 National Grid's Solicitation for Proposals for Clean Energy Projects
Service List updated 8/3/15**

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The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4570
In Re: Solicitation for Proposals For Clean Energy Projects
Pursuant to R.I. Gen. Laws Section 39-31-1 *et seq.*
Response to Division's Second Set of Data Requests
Issued on August 7, 2015

Division 2-1

Request:

Page 10 of the RFP states that “Note that staff of the EDCs who are participating in the solicitation and evaluation of bids under this RFP are bound by a Utility Standard of Conduct, which, among other things, prohibits signatory staff from communicating any non-public information regarding this RFP with any other utility staff who may be developing or submitting a bid responsive to this RFP.” Please define what is meant by signatory staff, and why such communications are prohibited only by signatory staff.

Response:

All of the representatives of the electric distribution companies involved in the development of the RFP have signed a statement committing to comply with the Utility Standard of Conduct. Those electric distribution company representatives, and any additional electric distribution company representatives who become involved with the RFP process and the evaluation process in the future, are the “signatory staff” referenced in Section 1.3 of the RFP. As noted in paragraph 4 of Exhibit J to the RFP, those signatory staff are prohibited from communicating non-public information regarding the RFP process and subsequent evaluation process to any representative of the same electric distribution company or an affiliate company who is involved in preparing a bid in response to the RFP.

Division 2-2

Request:

Page 10 of the RFP states that “Each of the members of the Evaluation Team, as well as their employees, agents, and consultants, shall be held harmless for any release of confidential information as long as reasonable efforts to protect the information have been followed. In any event, each of the Soliciting Parties, as well as their employees, agents, and consultants, shall be held harmless for any release of confidential information made available through any public source by any other party.” Does this hold harmless provision apply to RI OER, the Division, and their consultants? Please explain why or why not.

Response:

The “hold harmless” provision excerpted above from page 13 of the RFP is intended to address the provision of confidential information to the governmental entities that are included in the Evaluation Team and the filing of confidential information received by the Evaluation Team with governmental agencies in Connecticut, Massachusetts and Rhode Island. The first sentence in the second full paragraph on page 13 of the RFP provides such context. It states, “[i]n the event confidential information is submitted to the Evaluation Team and confidential treatment is not afforded by a governmental agency of one of the Procuring States, the entities and individuals on the Evaluation Team shall not be held responsible.”

The “Evaluation Team” consists of the Massachusetts electric distribution companies, The Narragansett Electric Company, d/b/a National Grid (Narragansett), The Connecticut Light & Power Company, The United Illuminating Company, the Connecticut Procurement Manager, the Connecticut Office of Consumer Counsel, the Connecticut Office of the Attorney General, and the Massachusetts Department of Energy Resources. Although the Rhode Island Office of Energy Resources (RI OER) and the Rhode Island Division of Public Utilities and Carriers (the Division) are not formally on the Evaluation Team, the RFP states that, in Rhode Island, consistent with Chapter 39-31 and the Rules and Regulations Governing Long-term Contracting Standards for Renewable Energy, Narragansett will consult and coordinate with the RI OER and the Division in evaluating bids (RFP at 3, “Definition of ‘Evaluation Team’”).

Accordingly, in Rhode Island, the “hold harmless” provision protects Narragansett and its employees, agents, and consultants against any release of confidential information that it will provide to the RI OER, the Division and/or the Rhode Island Public Utilities Commission (PUC), as long as Narragansett makes reasonable efforts to protect such information. Such efforts will include marking confidential documents as “CONFIDENTIAL”, executing a non-disclosure agreements with the RI OER and the Division regarding confidential documents that

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4570
In Re: Solicitation for Proposals For Clean Energy Projects
Pursuant to R.I. Gen. Laws Section 39-31-1 *et seq.*
Response to Division's Second Set of Data Requests
Issued on August 7, 2015

Division 2-2, page 2

Narragansett will share with the respective agencies, and filing motions for protective treatment with the PUC regarding confidential documents provided to either the PUC or the Division. If Narragansett takes such steps to protect such confidential documents, but the RI OER, the Division and/or the PUC do not afford such information confidential treatment, the “hold harmless” provision provides notice to a party that provides such information to Narragansett (or other members of the Evaluation Team) that they are not, and should not be considered to be, responsible for the release of such information.

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4570
In Re: Solicitation for Proposals For Clean Energy Projects
Pursuant to R.I. Gen. Laws Section 39-31-1 *et seq.*
Response to Division's Second Set of Data Requests
Issued on August 7, 2015

Division 2-3

Request:

Please provide copies of Appendices C-1, C-2, E, and F, which were not provided by the filed copy of the RFP or explain why the referenced appendices were not included with the filing.

Response:

Appendices C-1 and C-2 to the RFP are the form of Power Purchase Agreement (PPA) for Tier 1 renewable resources and the form of PPA for firm Incremental Qualified Clean Energy from a Hydropower Resource, respectively. The Soliciting Parties are in the process of drafting those forms. Notably, Narragansett has not previously filed draft forms of PPAs in prior dockets for the approval of an RFP because any PPA entered into by Narragansett would be reviewed and approved in separately docketed proceeding by the Rhode Island Public Utilities Commission. Importantly, as noted in Section 1.2.2.1 of the RFP, Narragansett does not intend to enter into a PPA as a result of the RFP.

Appendices E and F were eliminated from the RFP shortly before it was filed. The electric distribution companies expect to re-letter the Appendices prior to the issuance of the RFP.

Division 2-4

Request:

Page 27 of the RFP states that “The quantitative evaluation process will include an evaluation of the indirect economic benefits to customers using the outputs from a nodal electric market simulation model (e.g. Ventyx PROMOD). The indirect economic benefits will be measured by comparing the model outputs with and without the bid. Benefits to be considered are based on a combination of change in locational marginal price (LMP) and change in production cost including consideration of net imports and exports to customers of the Procuring States. Benefits may also include economic impact based upon changes in LMP during stressed system conditions to customers of the Procuring States. The references case system topology will be based on the 2015 ISO New England Capacity, Energy, Load and Transmission (CELT”) report. At the Evaluation Team’s option, the evaluation may use representative projects to estimate the indirect benefits of projects that are bid that are very similar in technology type, size and delivery location.”

- a) Please define indirect benefits.
- b) Please explain why changes in LMPs and production costs are deemed to be indirect benefits, rather than direct benefits.
- c) Please explain in detail how the combination of changes in LMPs and production costs will be determined and used in the evaluation.
- d) Please describe in detail how changes in LMPs during stressed system conditions will be evaluated.
- e) What assumptions will be made about transmission facilities in-service? Please describe in detail.
- f) Please list and describe all assumptions that will be used in this evaluation that are not provided in the 2015 CELT report. Include a description of the data sources as appropriate.
- g) The Delivery Commitment Model bases payments for transmission capacity upon a volume of clean energy to be delivered. Do bids under the Delivery Commitment Model include a description of the clean energy and / or RECs to be delivered, including but not limited to the type of clean energy, the price to be paid, etc.?
- h) If the price for the clean energy delivered under the Delivery Commitment Model is not included in a bid, please explain how the bid based upon the Delivery Commitment Model can be evaluated.

Division 2-4, page 2

Response:

- a) Please define indirect benefits.

Please see Section 2.3.1.1 of the RFP. The indirect economic benefits to be considered for a proposal are based on a combination of any locational marginal price (LMP) and production cost savings expected from the addition of the proposed project and associated clean energy to the New England system.

- b) Please explain why changes in LMPs and production costs are deemed to be indirect benefits, rather than direct benefits.

Under this RFP, the labeling of such potential benefits of a project as “indirect economic benefits” was simply one way of distinguishing these benefits, resulting from any project driven market price reductions, from the “direct contract price benefits” resulting from any long-term PPA purchases of market products directly from the project to the extent such contract prices are below the projected market prices with the project in service.

These potential LMP and production cost savings labelled as “indirect economic benefits” in this RFP could just as easily been labeled “direct market price benefits” as another way of distinguishing these benefits from the direct contract price benefits. In any case, these potential benefits are just as measurable and valuable to consider for customers supporting the costs of a project as any direct contract price benefits to be considered when applicable. Moreover, whether deemed to be indirect or direct, these project benefits will be determined and appropriately considered as realized by the customers supporting the project under the evaluation process outlined in this RFP.

- c) Please explain in detail how the combination of changes in LMPs and production costs will be determined and used in the evaluation.

The exact methodology for calculating indirect benefits to customers has not yet been finalized, and will be heavily based on recommendations from the independent Evaluation Team Consultant. It is expected the independent Evaluation Team Consultant will first develop a reference case scenario using a nodal electrical simulation model with recommended inputs that are agreed upon by the Evaluation Team members. Key inputs include commodity pricing (e.g., price forecasts for natural gas used to fuel much of the generation in the region), load growth, future generation build out and similar factors. The topology for the model will be based upon the expected system conditions, using the

Division 2-4, page 3

ISO-NE 2015 CELT report as well as the ISO-NE Regional System Plan, and Form 715 submitted to FERC by ISO-NE.

After completion of a reference case scenario, it is then expected that the independent Evaluation Team Consultant will produce additional scenarios by individually inserting projects that have gone through a threshold screening and an initial economic screening into the nodal electric simulation model. Indirect benefits of a project will be estimated by comparing the results of the reference case scenario to those of the scenario that includes the proposed project.

- d) Please describe in detail how changes in LMPs during stressed system conditions will be evaluated.

Stressed system conditions can be defined as high heat days in the summer when the load on the system is the highest, or cold snaps during the winter when availability of natural gas for generation could be in question, or light load days when generators are off line or the system faces different types of operating events that have the potential to create a variety of stress conditions. The Evaluation Team expects that the independent Evaluation Team Consultant will define and identify, based on its analysis, periods of stressed system conditions that could be considered as part of a complete evaluation.

- e) What assumptions will be made about transmission facilities in-service? Please describe in detail.

Please see the response to part (c) of this data request.

- f) Please list and describe all assumptions that will be used in this evaluation that are not provided in the 2015 CELT report. Include a description of the data sources as appropriate.

Please see the response to part (c) of this data request.

- g) The Delivery Commitment Model bases payments for transmission capacity upon a volume of clean energy to be delivered. Do bids under the Delivery Commitment Model include a description of the clean energy and / or RECs to be delivered, including but not limited to the type of clean energy, the price to be paid, etc.?

Division 2-4, page 4

Bids under a Delivery Commitment Model are required to include a description of the clean energy and / or RECs to be delivered, including the type of clean energy. Section 14.6 of Appendix B requires bidders to provide details of the source and reliability of the Qualified Clean Energy supply along with the rights and ownership of that energy.

As indicated in response to RI Division Request 1-1 in this docket, Narragansett expects that the bids requested in the form of Qualified Clean Energy Via Transmission Project Under a Performance-Based Tariff Containing a Qualified Clean Energy Delivery Commitment (No PPA) would include the details necessary to result, if selected, in a tariff to be filed with FERC for approval that would include the performance-based rate schedule for the transmission project support costs to be charged to Narragansett, and the terms of the associated Qualified Clean Energy Delivery Commitment (e.g., the supply resource(s), the energy delivery location(s), and the energy quantities to be delivered each period during the life of the agreement).

However, bids under the Delivery Commitment Model contain no long-term PPA and therefore are not required to bid a contract price for energy and/or RECs.

- h) If the price for the clean energy delivered under the Delivery Commitment Model is not included in a bid, please explain how the bid based upon the Delivery Commitment Model can be evaluated.

The quantitative evaluation process for a bid based upon the Delivery Commitment Model will include an evaluation of the indirect economic benefits to customers, as discussed in the response to RI Division Request 2-4 above, using the outputs from a nodal electric market simulation model (e.g. Ventyx PROMOD) which will produce projected LMP and system production cost savings by way of model runs with and without the bid transmission project in service and delivering energy according to the associated clean energy delivery commitment. Those benefits will then be compared to the cost of the bid transmission project support charges.

Division 2-5

Request:

Page 27 of the RFP states that “Bids including one or more PPA’s will be evaluated on both direct contract price benefits and indirect economic benefits. Direct contract price benefits will be evaluated using a mark-to-market comparison of the purchase price of any Incremental Qualified Clean Energy and/or RECs under a PPA (including any associated transmission costs under a Rate Schedule or Tariff and Service Agreement) to their projected market prices at the delivery point with the project in-service.”

- a) Please explain why this comparison is being used, in light of the PROMOD analysis that will be performed.
- b) How will the project market prices be determined?
- c) Will this evaluation be performed on bids based upon the Delivery Commitment Model?
- d) If so, please explain how this will be done if there are no prices for energy, RECs, and / or capacity associated with bids based upon the Delivery Commitment Model.

Response:

- a) Please explain why this comparison is being used, in light of the PROMOD analysis that will be performed.

Please see the response to part (b) of Div 2-4. For bids containing one or more PPAs, this comparison is used to evaluate any direct contract price benefits to be realized if the proposed contract prices are below the projected market prices with the project in service. The PROMOD analysis will be used to determine such projected market prices necessary for comparison to the proposed contract prices, as further described below in part b of this response.

- b) How will the project market prices be determined?

As referenced above, direct contract price benefits will be evaluated using a mark-to-market comparison of the purchase price of any Incremental Qualified Clean Energy and/or RECs under a PPA (including any associated transmission costs under a Rate Schedule or Tariff and Service Agreement) to their projected market prices at the delivery point with the project in-service. In order to determine the projected market prices for the energy delivered under a PPA, first the independent Evaluation Team Consultant must establish a reference case scenario (see response to part (c) of Div 2-4) by which to evaluate each bid. The independent Evaluation Team Consultant will then

Division 2-5, page 2

perform an economic evaluation of the project placed in service at the delivery point by utilizing a nodal electric market simulation model (e.g. Ventyx PROMOD). The output from this model will include the projected market prices as a result of the project being placed in service at the delivery point, or in other words, the resulting change in market prices compared to the reference case scenario. These resulting market prices are then compared to the contract price under the PPA.

- c) Will this evaluation be performed on bids based upon the Delivery Commitment Model?

No, this evaluation will not be performed on bids based upon the Delivery Commitment Model. Bids containing a Delivery Commitment Model will not contain a purchase price for energy and/or RECs, and therefore those bids cannot be evaluated using a mark-to-market comparison of the purchase price.

- d) If so, please explain how this will be done if there are no prices for energy, RECs, and / or capacity associated with bids based upon the Delivery Commitment Model.

This evaluation will not be performed on bids based upon the Delivery Commitment Model.

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4570
In Re: Solicitation for Proposals For Clean Energy Projects
Pursuant to R.I. Gen. Laws Section 39-31-1 *et seq.*
Response to Division's Second Set of Data Requests
Issued on August 7, 2015

Division 2-6

Request:

Please describe the process by which OER, the Division, and their consultants will interact with the Evaluation Team and the Evaluation Team Consultant. What information will be available? When will it be available?

Response:

Narragansett plans to consult and coordinate with both the Rhode Island Division of Public Utilities and Carriers (Division) and the Rhode Island Office of Energy Resources (OER) in the evaluation and selection of proposals subject to confidentiality restrictions and applicable non-disclosure agreements, consistent with the manner that Narragansett has interacted with these agencies in the past in the context of proceedings involving competitive bids and bid evaluations. Narragansett will finalize any protocols with the Division and the OER prior to its receipt of bids associated with this solicitation.

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4570
In Re: Solicitation for Proposals For Clean Energy Projects
Pursuant to R.I. Gen. Laws Section 39-31-1 *et seq.*
Response to Division's Second Set of Data Requests
Issued on August 7, 2015

Division 2-7

Request:

Page 34 of the RFP states that “Once submitted, the RIPUC shall accept public comments on any contracts filed by Narragansett pursuant to Chapter 39-31 for a period no less than thirty (30) days, including advisory opinions by other Rhode Island state agencies. The RIPUC shall hold evidentiary hearings and public hearings to review any contract filed pursuant to Chapter 39-31, and issue a written order approving or rejecting the contract. The RIPUC will approve the contract if it determines that the contract: (1) is consistent with the purposes of Chapter 39-31; (2) will benefit Rhode Island by improving local and regional energy system reliability and security; (3) will benefit Rhode Island customers by offering the potential for reduced-energy price volatility and reduction of energy-supply costs in the context of an integrated regional energy system; (4) will not cause unacceptable harm to the environment and is consistent with the region's greenhouse gas-reduction goals; and (5) will enhance the economic fabric of the state.” Please explain why it is appropriate to include language that places requirements on the Commission?

Response:

The language above excerpted from page 34 of the RFP is merely a recitation of the provisions of Section 39-31-7 of the Rhode Island General Laws governing the process for regulatory approval in Rhode Island of contracts executed as a result of this solicitation. It is not intended as a statement by the Soliciting Parties to place any requirements on the Rhode Island Public Utilities Commission that do not already exist under Chapter 39-31. It was included along with recitations of pertinent laws in Connecticut, and Massachusetts and laws pertaining to the Federal Energy Regulatory Commission (see pages 32-35 of the RFP) governing regulatory approval of contracts or tariffs that result from this solicitation in order to provide transparency and clarity for potential bidders regarding these laws.

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4570
In Re: Solicitation for Proposals For Clean Energy Projects
Pursuant to R.I. Gen. Laws Section 39-31-1 *et seq.*
Response to Division's Second Set of Data Requests
Issued on August 7, 2015

Division 2-8

Request:

Regarding page 35 of the RFP, please explain the reference to February 25 and March 27.

Response:

The draft RFP was released on the www.cleanenergyrfp.com website on February 25, 2015 for public comment. Any comments from the public on that draft RFP were due by March 27, 2015. Those dates were included in the schedule in Section 3.1 of the RFP for the sake of completeness.