

August 10, 2017

VIA HAND DELIVERY & ELECTRONIC MAIL

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

**RE: Docket 4605 - 2017 Standard Offer Service Procurement Plan
Responses to PUC Data Requests – Set 1**

Dear Ms. Massaro:

On behalf of National Grid,¹ I am enclosing the Company's responses to the first set of data requests issued by the Rhode Island Public Utilities Commission on July 27, 2017 in the above-referenced docket.

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

Very truly yours,



Jennifer Brooks Hutchinson

Enclosure

cc: Docket 4605 Service List
Leo Wold, Esq.
Steve Scialabba, Division

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

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.

The 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 10, 2017
Date

**Docket No. 4605 - National Grid – 2017 Standard Offer Service (SOS) and
2017 Renewable Energy Standard (RES) Procurement Plans
Service List updated 8/10/17**

Name/Address	E-mail Distribution	Phone
Jennifer Hutchinson, Esq. National Grid. 280 Melrose St. Providence, RI 02907	Jennifer.hutchinson@nationalgrid.com ;	401-784-7288
	Celia.obrien@nationalgrid.com ;	
	stephen.mccauley@nationalgrid.com ;	
	Joanne.scanlon@nationalgrid.com ;	
	James.Ruebenacker@nationalgrid.com ;	
Jon Hagopian, Esq. Leo Wold, Esq. Dept. of Attorney General 150 South Main St. Providence, RI 02903	Lwold@riag.ri.gov ;	401-274-4400
	Jon.hagopian@dpuc.ri.gov ;	
	Steve.scialabba@dpuc.ri.gov ;	
	Al.mancini@dpuc.ri.gov ;	
	Joseph.shilling@dpuc.ri.gov ;	
	Jonathan.Schrag@dpuc.ri.gov ;	
	dmacrae@riag.ri.gov ;	
	Thomas.kogut@dpuc.ri.gov ;	
	jmunoz@riag.ri.gov ;	
Michael McElroy, Esq. for BIPCo. Schacht & McElroy PO Box 6721 Providence RI 02940-6721	Michael@McElroyLawOffice.com ;	401-351-4100
	Leah@McElroyLawOffice.com ;	
Richard Hahn Daymark Energy Advisors One Washington Mall, 9 th floor Boston, MA 02108	rhahn@daymarkea.com ;	617-778-2467
	mneal@daymarkea.com ;	
File an original & 9 copies w/: Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick, RI 02888	Luly.massaro@puc.ri.gov ;	401-780-2017
	Alan.nault@puc.ri.gov ;	
	Todd.bianco@puc.ri.gov ;	
	Cynthia.WilsonFrias@puc.ri.gov ;	
	Linda.George@puc.ri.gov ;	

Office of Energy Resources Nicholas Ucci Christopher Kearns	Nicholas.ucci@energy.ri.gov ;	
	Christopher.Kearns@energy.ri.gov ;	
	Danny.Musher@energy.ri.gov ;	
Douglas Gablinske, TEC-RI	Doug@tecri.org ;	401-741-5101

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4605
In Re: National Grid's Standard Offer Service Rates
For the Residential, Commercial, and Industrial Groups
For Effect October 1, 2017
Responses to the Commission's First Set of Data Requests
Issued on July 27, 2017

PUC 1-1

Request:

Please identify the primary causes for the increased costs for contracts made in accordance with the Standard Offer Service Procurement Plan approved by the PUC in Docket No. 4605 as compared to prior pricing periods.

Response:

The increase in Standard Offer Service (SOS) contract prices for the October 2017 through March 2018 period compared to prior pricing periods is due to higher capacity costs.

The ISO-NE is the non-profit operator of the region's power grid, and it manages the Forward Capacity Market. ISO-NE's goal is to ensure that there are sufficient resources available to meet the electric demand for the region. The prices paid to the generators are established in an annual Forward Capacity Auction, which is for a one-year capacity commitment period that will occur three years in the future. This one-year capacity commitment period starts in June and ends in May.

The first Forward Capacity Auction was held in February 2008 and the first seven auctions included the capacity commitment periods starting June 2010 and ending May 2017. Excess capacity in the region during these periods resulted in low prices in the first seven Forward Capacity Auctions. However, the eighth Forward Capacity Auction held in February 2014 for the June 2017 through May 2018 capacity commitment period had a shortfall in resources, which resulted in higher capacity prices. Prior to the time this auction was held, 3,135 MW of resources announced plans to retire. This resulted in an insufficient level of resources to ensure a competitive outcome and triggered administrative pricing rules to determine the capacity prices.

The table below sets forth the capacity clearing prices and payment rates for new and existing resources as determined by the seventh, eighth, and ninth Forward Capacity Auctions. The proposed winter SOS rates include the prices from the eighth auction.

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Capacity Commitment Period	(\$/kW-month)	
	New Resource	Existing Resource
June 1, 2016 to May 31, 2017 (FCA 7)	3.150	2.744
June 1, 2017 to May 31, 2018 (FCA 8)	15.000	7.025
June 1, 2018 to May 31, 2019 (FCA 9)	17.728	11.080

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PUC 1-2

Request:

Please provide a brief explanation of the procurement process utilized by National Grid in its Massachusetts service territories.

Response:

Massachusetts Electric Company and Nantucket Electric Company (referred to collectively as National Grid) utilize Full Requirements Service transactions to provide Basic Service to its customers. National Grid procures these transactions through competitive solicitations by customer group (residential, commercial and industrial) and ISO-NE zone.

National Grid procures Basic Service for industrial customers on a quarterly basis, and each transaction is for a three-month period. National Grid procures Basic Service for residential and commercial customers on a staggered basis. National Grid procures 50% of its Basic Service obligation for a twelve-month period semi-annually (in March and September). Each twelve-month period is divided into two six-month periods (November through April and May through October) and procured separately.

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PUC 1-3

Request:

Please provide a schedule including National Grid's proposed pricing for the upcoming 6 months for residential and commercial and 3 months for industrial. Also on the schedule please include the rates National Grid customers in Massachusetts will experience for comparable rate classes during the same period of time. If known, please provide comparable rates for Eversource in Massachusetts.

Response:

Please see Attachment PUC 1-3 for the information requested, to the extent it is available. Please note that, although the Basic Service rates for National Grid's affiliates in Massachusetts, Massachusetts Electric Company and Nantucket Electric Company, for the period beginning November 2017, are not available as the final procurement of Basic Service supply will take place in September, preliminary indications are that residential and commercial winter Basic Service rates may increase by approximately 30 percent over current Basic Service rates.

**National Grid's Proposed Standard Offer Service Pricing in Rhode Island
Compared to Basic Service Prices in Massachusetts**

<u>Company</u>	<u>State</u>	Residential					
		<u>Oct-2017</u>	<u>Nov-2017</u>	<u>Dec-2017</u>	<u>Jan-2018</u>	<u>Feb-2018</u>	<u>Mar-2018</u>
National Grid	RI	\$0.09515	\$0.09515	\$0.09515	\$0.09515	\$0.09515	\$0.09515
Massachusetts/Nantucket Electric (1)	MA	\$0.09432					
Eversource (NStar) (2)	MA	\$0.10759	\$0.10759	\$0.10759			
Eversource (WMECo) (2)	MA	\$0.08653	\$0.08653	\$0.08653			
Unitil (3)	MA	\$0.09934	\$0.09934				

<u>Company</u>	<u>State</u>	Commercial					
		<u>Oct-2017</u>	<u>Nov-2017</u>	<u>Dec-2017</u>	<u>Jan-2018</u>	<u>Feb-2018</u>	<u>Mar-2018</u>
National Grid	RI	\$0.09350	\$0.09350	\$0.09350	\$0.09350	\$0.09350	\$0.09350
Massachusetts/Nantucket Electric (1)	MA	\$0.08791					
Eversource (NStar) (2)	MA	\$0.10764	\$0.10764	\$0.10764			
Eversource (WMECo) (2)	MA	\$0.09303	\$0.09303	\$0.09303			
Unitil (3)	MA	\$0.09934	\$0.09934				

<u>Company</u>	<u>State</u>	Industrial		
		<u>Oct-2017</u>	<u>Nov-2017</u>	<u>Dec-2017</u>
National Grid	RI	\$0.05264	\$0.06046	\$0.08011
Massachusetts Electric (NEMA) (4)	MA	\$0.09299		
Massachusetts/Nantucket Electric (SEMA) (5)	MA	\$0.08130		
Massachusetts Electric (WCMA) (6)	MA	\$0.08169		
Eversource (NStar) (NEMA) (4)	MA			
Eversource (NStar) (SEMA) (5)	MA			
Eversource (WMECo)	MA			

Not available - to be determined

Notes:

- (1) Massachusetts/Nantucket Electric Basic Service pricing periods May - October and November - April
- (2) Eversource Basic Service pricing periods January - June and July - December
- (3) Unitil Basic Service pricing periods December - May and June - November
- (4) "NEMA" is the ISO-NE Northeast Massachusetts and Boston Load Zone
- (5) "SEMA" is the ISO-NE Southeast Massachusetts Load Zone
- (6) "WCMA" is the ISO-NE Western/Central Massachusetts Load Zone

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PUC 1-4

Request:

Based on contracts executed to date, please provide the company's estimate of what the residential and commercial class rates will be in the pricing periods April to September 2017 and October 2017 to March 2018 and the primary drivers for any change in those rates.

Response:

The Company is assuming that the PUC is asking about the pricing periods April 2018 to September 2018 and October 2018 to March 2019. Based on contracts executed to date (55% for the period April 2018 to September 2018 and 35% for the period October 2018 to March 2019) and keeping all other components of the Standard Offer Service (SOS) rate (i.e., Standard Offer Adjustment Factor, Standard Offer Service Administrative Cost Factor, and Renewable Energy Standard Charge) at the current level, the Company estimates that the residential and commercial SOS rates for the pricing periods April 2018 to September 2018 and October 2017 to March 2018 would be as follows:

Customer Class	Apr 2018 – Sep 2018	Oct 2018 - Mar 2019
Residential	8.2 cents	11.4 cents
Commercial	7.9 cents	10.6 cents

Please note that the Standard Offer Adjustment Factor, Standard Offer Service Administrative Cost Factor, and Renewable Energy Standard Charge will all change effective April 1, 2018. The changes in these factors will impact the SOS rates billed to SOS customers effective on this date.

The primary driver for the changes in the base SOS rates is increasing capacity costs. As described in the Company's response to PUC 1-1, the proposed SOS rates for October 2017 through March 2018 increased from prior pricing periods due to higher capacity prices resulting from the eighth Forward Capacity Auction. The eighth auction was held in February 2014 for the June 2017 through May 2018 capacity commitment period. The ninth Forward Capacity Auction held in February 2015 for the June 2018 through May 2019 capacity commitment period resulted in higher capacity prices than the eighth auction. These higher costs are included in the SOS base rates for June 2018 through March 2019.

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In the ninth auction, Rhode Island was part of a new capacity zone called Southeast Massachusetts/Rhode Island (SEMA/RI). Prior to the auction, there was insufficient new and existing resources to provide the capacity needed in this zone, and auction bidding did not open. Administrative pricing rules were triggered because of SEMA/RI's inadequate supply, which resulted in the highest capacity prices in the region.