



STATE OF CONNECTICUT
PUBLIC UTILITIES REGULATORY AUTHORITY

July 20, 2018

Commissioner Robert Klee
CT Department of Energy & Environmental Protection
79 Elm Street
Hartford, CT 06106-5127

Re: Draft 2017 Comprehensive Energy Strategy for Connecticut

Dear Commissioner Klee:

The Public Utilities Regulatory Authority (PURA or Authority) submits the attached comments on the Department of Energy and Environmental Protection's (DEEP) June 22, 2018 draft Request for Proposals issued pursuant to June Special Session Public Act 17-3 (Draft RFP). The Authority appreciates the opportunity to comment on the Draft RFP.

Sincerely,

PUBLIC UTILITIES REGULATORY AUTHORITY

A handwritten signature in black ink, appearing to read "N. E. Neeley".

Nicholas E. Neeley
Acting Executive Secretary

**Comments of the Public Utilities Regulatory Authority on the
Department of Energy and Environmental Protection’s June 22, 2018
draft Request for Proposals issued pursuant to June Special Session
Public Act 17-3**

I. INTRODUCTION

The Public Utilities Regulatory Authority (PURA or Authority) appreciates the opportunity to comment on the Department of Energy and Environmental Protection’s (DEEP) draft Request for Proposals (RFP) issued June 22, 2018 pursuant to Section 1 of June Special Session Public Act 17-3 (Draft RFP). As the agency charged with reviewing any contracts selected pursuant to this RFP, PURA has a special interest in maximizing the fairness, legality, competitiveness, and cost-effectiveness of the RFP. In furtherance of that interest, PURA offers the following comments. While PURA offers these initial comments, the Authority reserves all rights with respect to any issue raised or identified in the final review of any contracts selected.

II. COMMENTS

A. Definition of the At Risk Time Period

For purposes of the RFP, DEEP proposes to define the “At Risk Time Period” as the period commencing June 1, 2023. Draft RFP, p. 4. This date coincides with the start of the capacity commitment period associated with Forward Capacity Auction (FCA) #14. PURA acknowledges the observation in the *Resource Assessment, Appraisal, and Determination Pursuant to Executive Order No. 59 and Public Act 17-3; Determination Pursuant to Public Act 17-3* (Resource Assessment) (which PURA authored jointly with DEEP), that the “high anticipated cost of shedding Millstone Station’s [Capacity Supply Obligation] makes it highly unlikely that Millstone would effectively retire before the end of its final [Capacity Commitment Period].” Resource Assessment at 13. However, intervening changes to ISO-NE capacity market rules make this assumption, and the associated implications for cost-benefit analysis, less certain.

For example, an existing resource “at risk” may elect to exit the market prior to that capacity commitment period by buying out of its obligations through the ISO-NE reconfiguration auctions (which are run every year leading up to the capacity commitment period), by electing retirement through the substitution auction recently created by ISO-NE’s “Competitive Auctions with Sponsored Policy Resources” (CASPR) mechanism, or by shedding its capacity supply obligation through bilateral arrangements. Although it is likely that some or all of these options would be subject to reliability review, or might cause a resource to incur significant costs to exit the markets, it appears reasonable to assume more uncertainty with respect to whether capacity supply obligations are an accurate predictor of continued operation than may have been the case a few months ago.

Recent ISO-NE and FERC actions related to regional fuel security create additional uncertainty about the potential costs Connecticut ratepayers may bear with

respect to RMR contracts and as-yet-to-be-determined market mechanisms for fuel security, and what other resources may choose to retire (e.g., resources other than the resource that is seeking an “at risk” determination), or remain in the market, with such mechanisms in place. In addition, information received in Docket No. 18-05-04, PURA Implementation of the June Special Session Public Act 17-3, may inform more precise assumptions regarding the “at risk” nature of a resource and operational or other practical considerations that might dictate or otherwise guide a resource’s future decisions on whether to remain operating or shutter a plant.

Accordingly, PURA suggests that DEEP consider permitting more flexibility in its bidding and evaluation requirements by not specifying an “at risk time period” in advance of the proceeding in Docket No. 18-05-04, so that DEEP can evaluate, on a case-by-case basis and with the benefit of a well-developed record, whether and when a resource is “at risk.” Also, for purposes of cost-benefit analysis, it may be the case that a contract spanning periods when a resource is not “at risk” and periods when the resource is “at risk” could prove net cost-beneficial if the total expected benefits from the contract exceed the levelized cost of the contract.

B. Requirement to Bid in the Capacity Market

The Authority understands the RFP to be a purchase of electric energy production (MWhs) and the carbon-free and other environmental attributes associated with that production. As such, the RFP need not concern itself with how a winning bidder may dispose of products other than energy or environmental attributes. Specifically, the RFP and any resulting contract need not address how or where a resource participate in non-energy markets such as those for capacity or ancillary services. Rather than requiring existing resources to participate in the ISO-NE-administered FCAs during the term of the contract, PURA suggests that DEEP consider instead imposing an obligation on winning bidders to maximize revenues available from all other sources. DEEP may also want to consider adding additional requirements in the contract regarding assurance of continued operations. This will ensure that these resources continue to contribute to Connecticut’s achievement of its public policies.

C. Include Contribution to the Goals in the Global Warming Solutions Act as a Factor to be Assessed in Qualitative Evaluation for Resources

While the draft RFP points to the greenhouse emission reduction targets under the Global Warming Solutions Act (GWSA) as a key reason for the RFP (*Id.*, p. 2), the GWSA and its goals are not included on the list of Factors to be Assessed in the Qualitative Evaluation for all Resources (*Id.*, pp. 25-26). Since the GWSA lays out the reasons for valuing carbon-free electricity and, more importantly, the level of such electricity that Connecticut seeks to achieve, it should be an important consideration for those reviewing the RFP-related bids and may also serve as a helpful guide for bidders responding to the RFP. As such, PURA suggests that the GWSA and its goals be specifically included in the list of qualitative evaluation factors.

Additionally, PURA notes that the loss of a significant portion of zero-carbon resources may increase reliance on natural gas or other fossil-fueled resources, and could pose additional concerns such as backsliding on emissions reductions or adding additional strain to real-time system operations in winter.

D. Additional Issues

The RFP proposes that the PPA will bundle the sale of energy and environmental attributes. PURA notes that DEEP may want to consider unbundling these products. Also, with respect to resources paired with energy storage, potential bidders may benefit from more clarity with respect to how such resources are to be compensated. Specifically, DEEP might consider specifying whether projects with a storage component are to provide prices that compensate a resource solely at the time energy is produced for storage, at the time a storage resource injects that energy onto the grid, or both.

III. CONCLUSION

PURA respectfully requests that DEEP carefully consider and address the above comments and concerns as it works to finalize the RFP.