



December 30, 2022

Jeffrey R. Gaudiosi, Esq.
Executive Secretary
Public Utilities Regulatory Authority
10 Franklin Square
New Britain, CT 06051

Re: Docket No. 17-12-03RE10, PURA Investigation Into Distribution System Planning Of The Electric Distribution Companies – Building Blocks Of Resource Adequacy And Clean Electric Supply

Dear Mr. Gaudiosi:

On December 27, 2022, the Public Utilities Regulatory Authority (“PURA”) issued a Notice of Technical Meeting (“Notice”) stating it would hold a Technical Meeting on January 3, 2023. The Notice ordered the Connecticut Light and Power Company d/b/a Eversource Energy (“Eversource”) to “present on their procurement process in each of the service territories” and to “file their presentation . . . by 4:00 p.m., on December 30, 2022.” The Notice also stated “[w]hen providing a copy of their presentation to the PURA case coordinator, Eversource must also provide a list of presenter names and an estimated time to present.”

Enclosed is a copy of the Eversource presentation, as directed. The individuals listed below will represent Eversource at the technical meeting. The presentation is estimated to be approximately 45 minutes (without factoring in time for questions and answers). Eversource requests that PURA’s case coordinator control and advance the slide deck during the technical session.

Eversource’s representatives at the 1/3/2023 Technical Session will be:

- James G. Daly, Vice President of Energy Supply
- James R. Shuckerow, Director of Energy Supply
- Peter M. Rogan, Manager of Wholesale Power Contracts
- Legal Counsel: Vincent P. Pace, Assistant General Counsel

Very truly yours,

Christopher R. Bernard

Christopher R. Bernard
Manager – Regulatory Policy & Strategy, CT
On Behalf of CL&P d/b/a Eversource Energy

Attachment: Presentation
cc: Service list



Procuring Electric Supply in a Dysfunctional Electric Generation Market

Presentation to:

Connecticut Public Utilities Regulatory Authority (PURA)

Massachusetts Department of Public Utilities (MDPU)

January 3, 2023

Electric Industry Restructuring: Creating a Competitive Market for Electric Generation

Connecticut

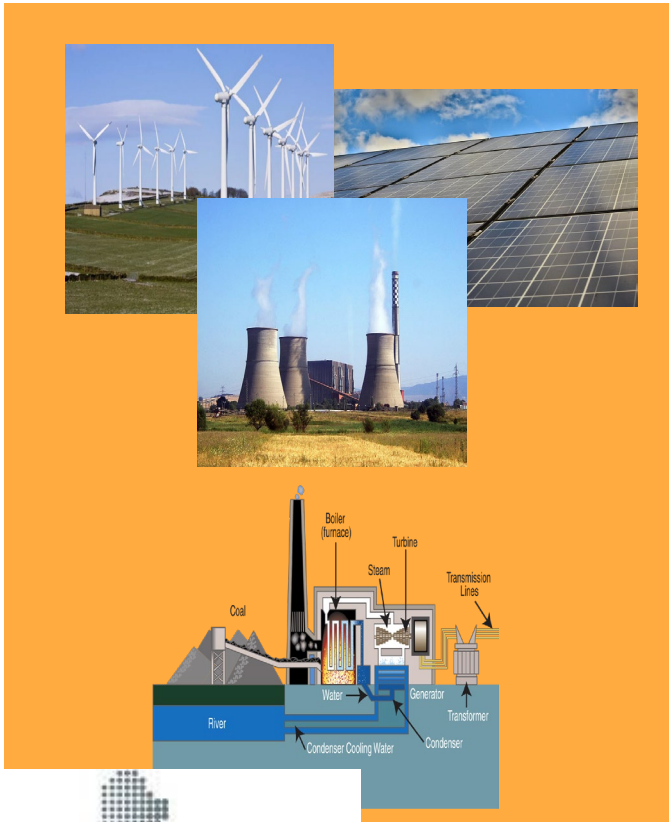
- ❖ Public Act 98-28, An Act Concerning Electric Restructuring (1998)
- ❖ Comprehensive legislative framework, encompassing 116 legislative sections codified into numerous general statutes.
- ❖ Removed electric companies from the electric generation function in order to create a competitive market for electric supply.
- ❖ Allowed residential and commercial/industrial customers to purchase electric supply from a competitive supplier.
- ❖ Created “Standard Offer Service” as a backstop for customers not taking competitive supply.

Massachusetts

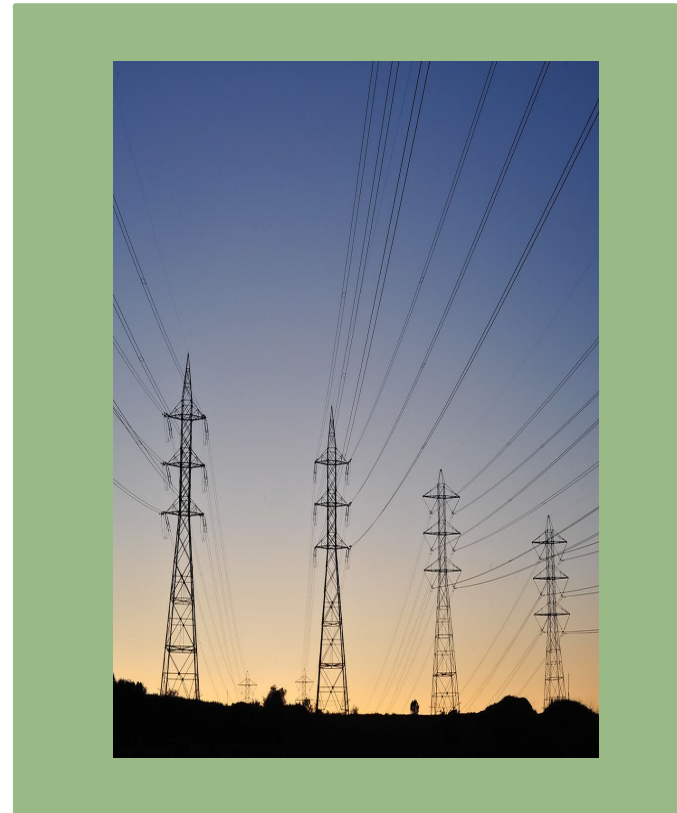
- ❖ Electric Restructuring Act (1997)
- ❖ Comprehensive legislative framework, encompassing 344 legislative provisions codified into numerous general laws.
- ❖ Removed electric companies from the electric generation function in order to create a competitive market for electric supply.
- ❖ Allowed residential and commercial/industrial customers to purchase electric supply from a competitive supplier.
- ❖ Created “Default” or “Basic Service” as a backstop for customers not taking competitive supply

The Restructured Electric Market – Electric Supply Priced by Competitive Market

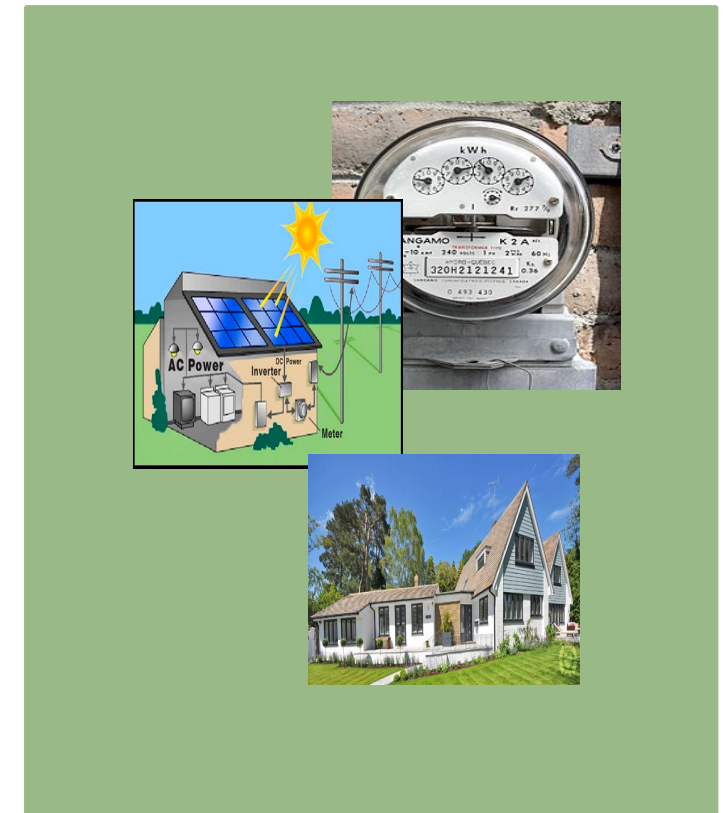
Generation Competitive Market



Transmission Regulated by FERC



Distribution/Delivery Regulated by PURA/MDPU



ISO-NE oversees the competitive wholesale marketplace and operates New England's bulk electric power system



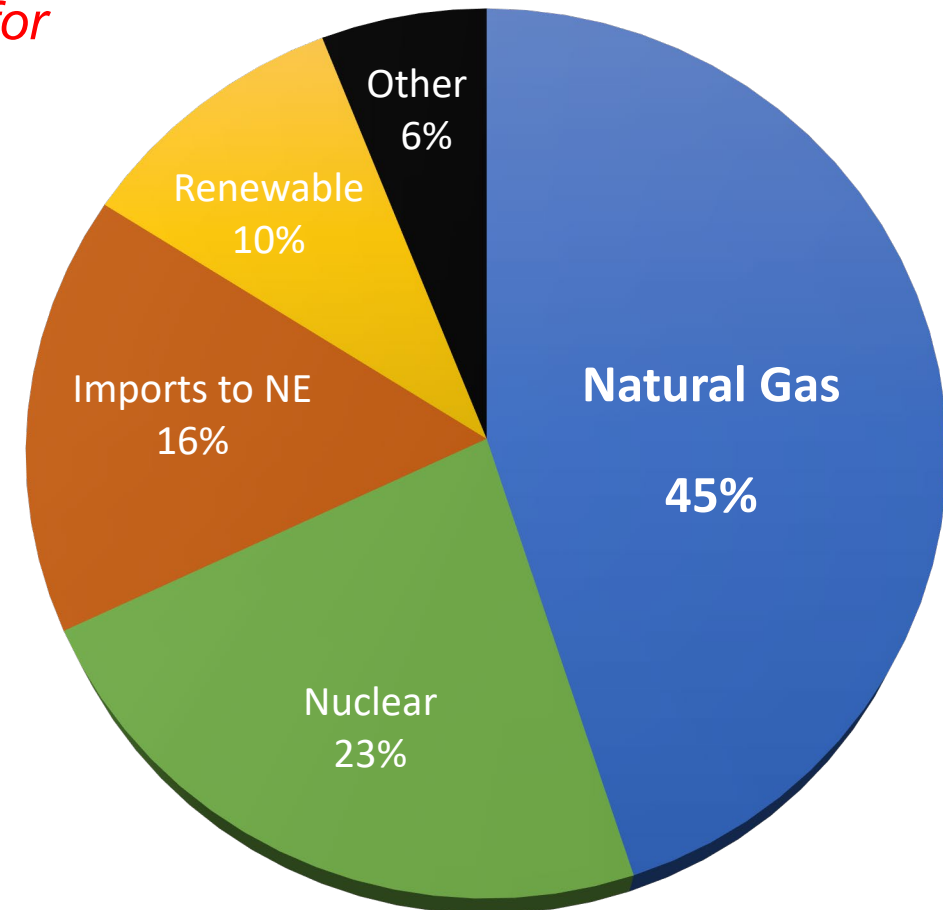
The ISO-NE Wholesale Market Has a Fuel Supply Problem

Current market has heavy reliance on natural gas for electric generation

Natural gas prices have the biggest impact on the cost of electric supply

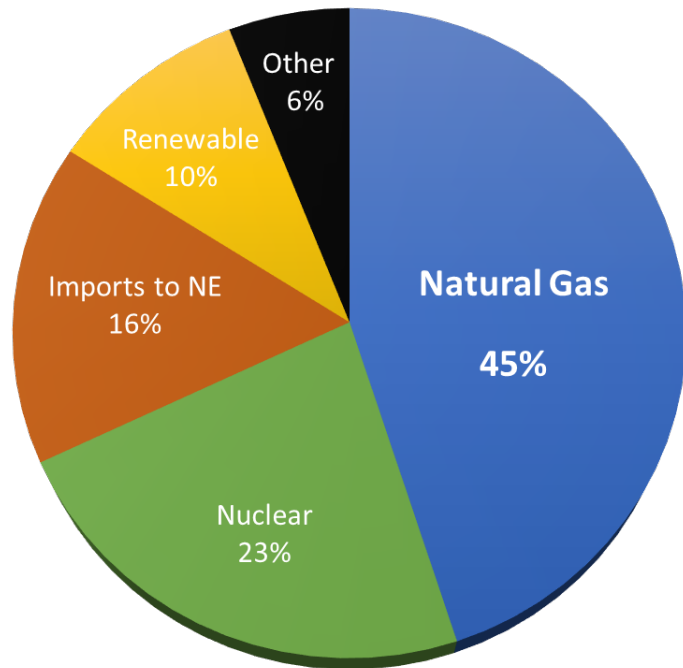
Gas pipeline capacity is severely constrained for electric generation on coldest days, limiting generation capacity and pushing prices higher and higher for available electric supply.

Supplemental gas supplies by liquified natural gas (LNG) are also high price, heightened by global market demand and loss of Russian natural gas deliveries to Europe.

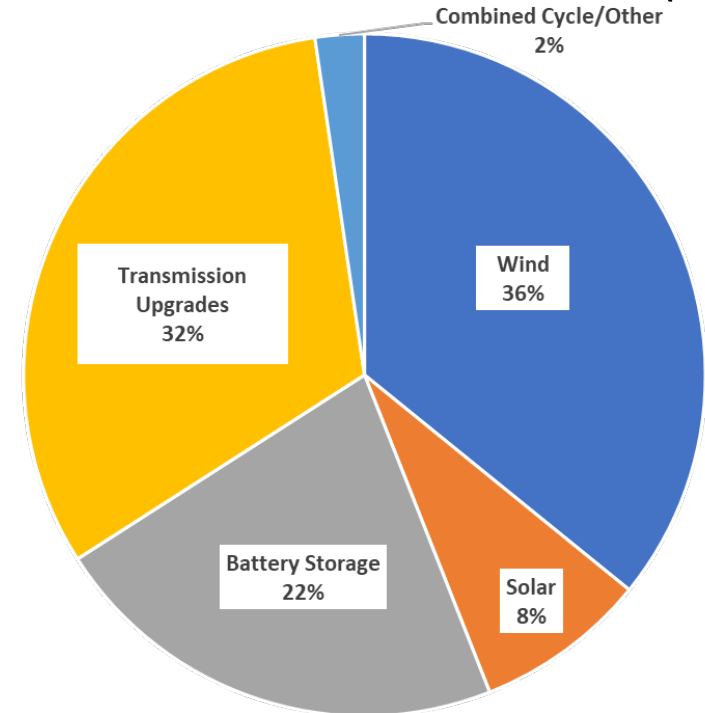


Transitioning to a Clean Energy Future

Current ISO-NE Fuel Mix



Interconnection Queue (45 GW)



Lots in the queue! 10-20 years out --

We need a bridge fuel

Source: ISO-NE, Queue status = active



ISO-NE oversees the competitive wholesale marketplace and operates New England's bulk electric power system



Transitioning to a Clean Energy Future



- As it stands today, transition likely to take 10-20 years
- New infrastructure build in New England is costly, litigious and slow
- Meanwhile, the ISO-NE bulk power market remains dependent on existing infrastructure
- *The key challenge is to identify and secure a bridge fuel supply for electric generation.*
- New pipeline or LNG facilities for power generation are unlikely.
 - MA courts prohibited EDCs from charging electric customers for gas capacity.
 - CT law allows electric customers to pay for a natural gas solution (C.G.S. 16a-3j), but such a solution is not feasible or equitable without support from other states.
- CT pays to retain Millstone and Seabrook, other states do not.
- Everett Marine Terminal is critically needed until new resources arrive; all States pay for this.

Electric Industry Restructuring: *EDC Role is limited to procurement of electric supply as a back-stop service*

Connecticut

- PURA's Procurement Manager develops the Energy Procurement Plan

The "procurement manager of the Public Utilities Regulatory Authority . . . shall develop a plan for the procurement of electric generation services and related wholesale electricity market products" C.G.S. 16-244m(a)(1)

- Eversource and UI must follow the Procurement Manager's Plan

Each "electric distribution company . . . shall cooperate with the procurement manager of the Public Utilities Regulatory Authority and comply with the procurement plan for electric generation services contracts." C.G.S. 16-244c(a)(3).

- The Procurement Plan must reflect **market prices** over time

The procurement "plan shall require that the portfolio of service contracts be procured in such manner and duration as the authority determines to be most likely to produce just, reasonable and reasonably stable retail rates while reflecting underlying wholesale market prices over time." C.G.S. 16-244c(a)(3) .

Massachusetts

- Eversource must use competitive bidding process to procure default service. M.G.L. c. 164, Sec. 1B(d)
- The Procurement Plan must reflect **market prices** over time and include fixed rate options with terms of up to six months.

"The default service rate shall not exceed the average monthly market price of electricity and all bids shall include payment options with rates that remain uniform for periods of up to six months."

M.G.L. c. 164, Sec. 1B(d)

- The MDPU approves the resulting supply contracts with a five-day turnaround.

EDC Procurement Processes Are Designed to Enable Retail Competition

- By law, procurement processes are designed to track **market prices** in order to enable development of a competitive market for retail supply.
 - EDCs procure electric supply at market rates so that an accurate price signal exists to promote competition.
 - Customers are free to take advantage of competitive supply options and offers.
- The procurement process established by each State is remarkably similar to accomplish this goal.
- The procurement processes leverage the benefit of purchasing in “tranches” at regular intervals to mitigate volatility in generation prices (dollar-cost averaging).
- There are typically no long-term contracts, contract terms are six months to a year.
- EDCs are price-takers for electric supply in the competitive marketplace.
- EDCs are required to provide electric supply to customers ***with no mark-up or profit margin added.***
- Process redesigns will not address wholesale market deficiencies such as fuel shortages for generation.

EDC Procurement Processes Are Designed to be Systematic and Administratively Efficient

	Connecticut	Massachusetts (NSTAR East)	Massachusetts (NSTAR West)	New Hampshire
Customer Classes	<ul style="list-style-type: none"> Standard Service (Residential and Small C&I) Last Resort Service (Large C&I) 	<ul style="list-style-type: none"> Residential Small C&I Large C&I 	<ul style="list-style-type: none"> Residential Small C&I Large C&I 	<ul style="list-style-type: none"> Small Customers Large Customers
Contract Term	<ul style="list-style-type: none"> January - June July - December Quarterly (LRS) 	<ul style="list-style-type: none"> January - June July - December Quarterly (Large C&I) 	<ul style="list-style-type: none"> January - June July - December Quarterly (Large C&I) 	<ul style="list-style-type: none"> February - July August - January
Timing of Purchases	<ul style="list-style-type: none"> January April July October 	<ul style="list-style-type: none"> February (Industrial) May (All customers) August (Industrial) November (All customers) 	<ul style="list-style-type: none"> February (Industrial) May (All customers) August (Industrial) November (All customers) 	<ul style="list-style-type: none"> June December
Quantity of Purchases	10,000,000 MWh	3,200,000 MWh	1,400,000 MWh	4,000,000 MWh
Laddering of Purchases	Yes	Yes	Yes	No
Procurement Oversight	PURA Procurement Manager selects bids with EDC and OCC input; EDC submits resulting contracts to PURA	EDC conducts procurement and contracts are filed with MDPU for approval	EDC conducts procurement and contracts are filed with MDPU for approval	EDC conducts procurement and contracts are filed with NHPUC for approval

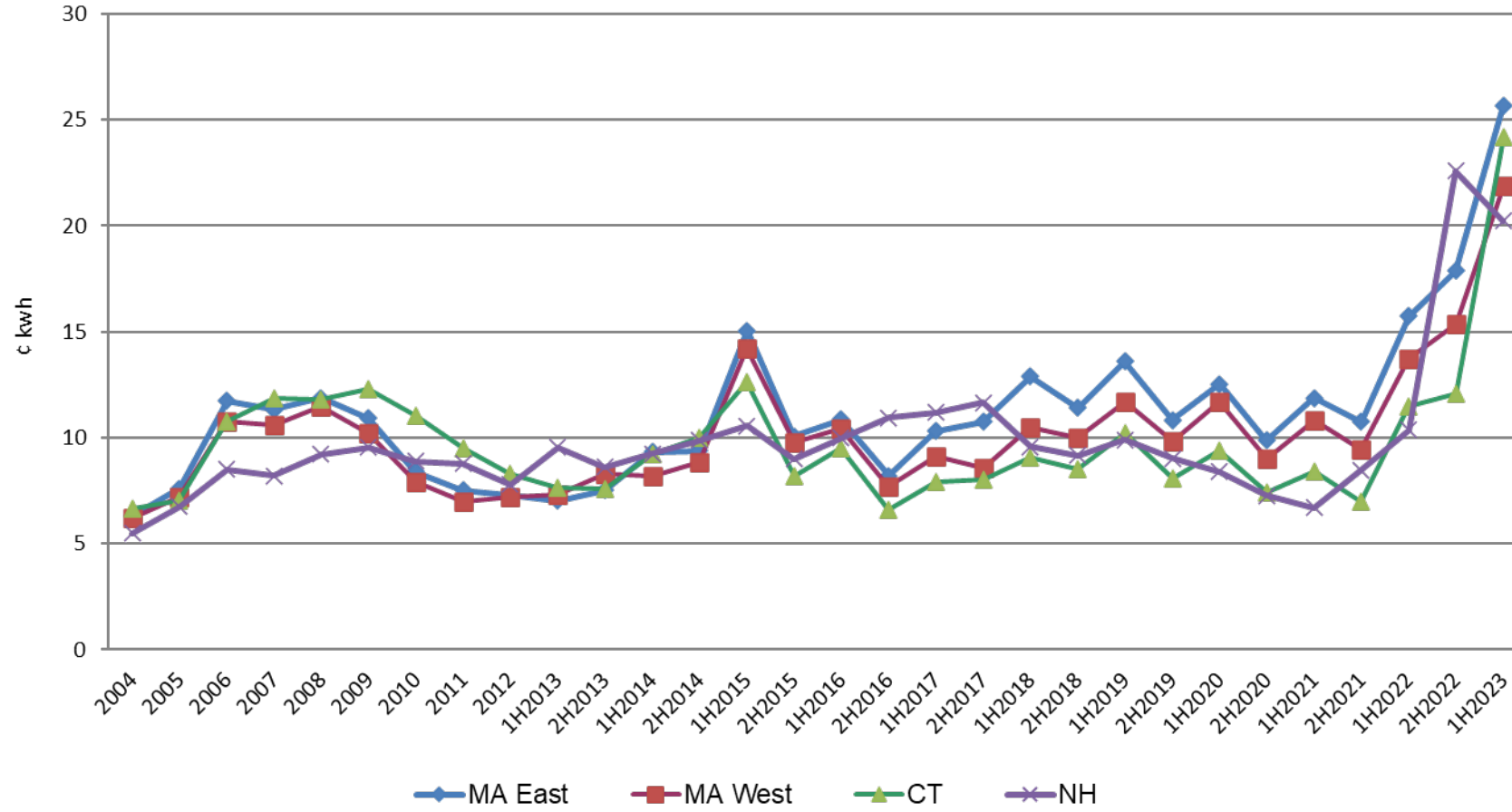
Managing Bid Solicitations in a Dysfunctional Market

Preceding the procurements for 2023 electric supply, Eversource notified PURA, MDPU and NHPUC that it would need to provide a backstop electric supply in the event that: (1) solicited bids did not cover the quantity of supply needed; or (2) the price of supply for a given load segment was not reflective of market pricing (i.e., bidders seek to leverage market conditions to extract a premium to provide supply).

As a backstop provider, Eversource would purchase supply in the marketplace on an as-needed basis, priced at the ISO-NE spot market price.

EDC Procurement in a Competitive Market Results in Prices that Track Market Prices

Price differences between EDCs and the States of operation arise depending on prevailing market prices at time of procurement.



Collaboration Is the Only Path to Lower Costs and Increased Reliability

- Structural dysfunction in current ISO-NE Wholesale Market has resulted in **inadequate fuel supply** for electric generation.
- The structural dysfunction will persist during the bridge period, unless and until the existing fuel supply deficiency is addressed.
- Under the competitive market framework, fuel supply adequacy is generator responsibility, but generators competing in the marketplace do not have an obligation to serve or to provide least-cost supply.
- FERC has jurisdiction at the wholesale level, but solutions at the federal level have the potential to be very high cost for retail customers due to market structure.
- One option would be coordination by the New England States to establish a temporary energy reserve until the long-term renewable solutions come on-line.
 - ❖ Connecticut DEEP and Massachusetts EEA have taken leadership roles at the federal level on this challenge.
 - ❖ Together, CT and MA have leverage and opportunity, with majority market share.
 - ❖ **Devising a workable, cost-effective solution will require continued engagement and collaboration by all stakeholders.**

Share of Total ISO-NE Electric Generation Load	
Massachusetts	50%
Connecticut	25%
New Hampshire, Maine, Rhode Island, Vermont	25%