



OCC Participating in Regional Electric Infrastructure Policy Discussions and Procurements of New Resources

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There is a considerable amount of New England regional activity and discussion regarding development of new electric infrastructure, including transmission lines within New England and those that would connect New England to Quebec or New York, large renewable energy facilities, small renewable energy facilities, and new or expanded interstate gas pipelines that would feed power plants with low-cost shale gas. Many bids have been submitted by developers interested in long-term contracts for infrastructure development.

Major procurements, using competitive bidding procedures, are being conducted under the auspices of the Connecticut Department of Energy and Environmental Protection, in some cases in conjunction with equivalent state agencies in Massachusetts and Rhode Island. OCC is involved with this procurement activity by statute, and provides assistance to DEEP in analyzing and judging the bids. Selections are slated to occur by the end of this year and will surely be covered by the press, but OCC also intends to describe the outcome on this website.

Meanwhile, there are regional discussions occurring under the auspices of the New England Power Pool ("NEPOOL") which, pursuant to federal authority, runs electric stakeholder processes to suggest market rule changes and similar efforts. OCC is the only Connecticut government entity that has a voting membership in NEPOOL. The present process before NEPOOL is called "Integrating Markets and Public Policy" or "IMAPP."

The IMAPP process and set of stakeholder meetings are being conducted for a variety of reasons, but certainly one of them relates to the fear that New England's remaining nuclear power plant fleet (Millstone in CT and Seabrook in NH) may retire prematurely if market revenue does not increase. The nuclear plants continue to provide the region with a large share of its electric energy and provide needed power plant diversity, given our ever increasing reliance on natural gas power plants. Lower electric market prices due to low-cost natural gas and the integration of units without fuel costs (such as solar and wind facilities) have reduced electric market revenues for power plant owners, including most particularly for nuclear plants.

Another goal of some stakeholders for the IMAPP process before NEPOOL is to reduce the degree that the states determine or influence electric infrastructure developments through long-term contracts, and instead let such decisions be made through "market competition." However, some, including OCC, question whether electric markets, with their thousands of

pages of market rules, create the illusion of competition more than the real thing. Since major electric infrastructure development requires effective coordination of transmission owners, power plant owners, state policymakers, and local communities, OCC maintains that it is unlikely that we will reach the point where all electric infrastructure decisions will be made solely through “market” approaches. Moreover, poorly designed electric markets can lead to rampant overcompensation of certain units and can threaten reliability as well.

In addition to the large procurements taking place already, Massachusetts recently passed new legislation which calls for major new developments of offshore wind and hydroelectric facilities. So, the trend of regional policymakers is strongly in the direction of more contracting in order to meet electric and environmental goals, not less. For a variety of reasons, including those mentioned above and the lower-cost financing that leads in turn to lower ratepayer costs, OCC is generally supportive of long-term contracting for electric infrastructure based on competitive bids, so long as the products being procured are truly necessary for the public and to meet public policy goals.



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