



March 27, 2015

Commissioner Robert Klee, CT Department of Energy and Environmental Protection
Massachusetts Electric Distribution Companies
Narragansett Electric Company

Introduction

GDF SUEZ Energy North America (GSENA) maintains a strong portfolio of energy-related businesses including power generation, retail electricity sales, the importation, storage, and delivery of liquefied natural gas (LNG), and renewable energy development.

GSENA's diverse New England generation fleet includes natural gas-powered units, biomass powered facilities, run-of-river hydro-electric facilities, pumped storage hydro-electric facilities, pondage hydro-electric facilities, and a solar farm.

Our company is the largest owner of hydro-electric generation in New England with facilities located primarily on the Connecticut, Housatonic, Shetucket, and Quinebaug Rivers representing hundreds of millions of dollars in investment and with direct employment of hundreds of people within the region.

Comments

GSENA appreciates the opportunity to submit written comments on the Notice of Request for Proposals from Private Developers for Clean Energy and Transmission (RFP) draft for public comment. GSENA's interests in New England span across multiple sectors of the energy industry, including renewable and traditional electricity generation, LNG supply and storage, and retail energy supply. This affords us a rather unique perspective on the energy industry as a whole here in New England and therefore our interests in the RFP are broad.

The RFP solicits three categories of bids: qualified clean energy and/or RECs via PPA; qualified clean energy and/or RECs via PPA with a transmission project under FERC tariff; and qualified clean energy via transmission project under a performance-based tariff containing a qualified clean energy delivery commitment without a PPA. GSENA recognizes the statutory clean energy standards in each of the participating states as progressively increasing the need for additional clean energy. We believe that given our region's desire for more clean energy resources a collective RFP will positively impact the individual state goals for clean energy in a manner consistent with the competitive markets. We support the initiative soliciting Class I

renewable energy in this fashion and believe that competitive bidding will yield the most reliable, effective, and efficient solutions.

GSENA has some significant concerns with the proposed solicitation of large-scale Canadian hydro that we hold with regard to the potential impacts on consumers, suppliers, and the region's markets. The RFP uses existing authority in Connecticut and Rhode Island to procure Class I and/or large-scale hydropower that is statutorily grounded but raises the question of the economic competitiveness of that power once those transmission costs are considered. Further, ISO New England has announced changes in electric system topology that are requiring them to redefine capacity zones in its Forward Capacity Market starting with the next auction (FCA10).¹ Specifically, ISO-NE has identified that the three northernmost New England states, Maine, New Hampshire and Vermont, may be considered an export-constrained capacity zone questioning the efficacy, at least for Connecticut capacity credit purposes, of constructing new transmission import capability between Canada and New England that connects to New England north of the Massachusetts' border.

Further, GSENA believes the world market is changing favorably for New England and the competitive market place is responding. Investments in distributed generation and demand response, combined with significant reductions in world oil market prices, infrastructure changes internationally and resultant reductions in world LNG prices are producing a much different, and lower cost, result for consumers, without substantial Connecticut consumer-backed infrastructure investments.

History has proven and recent experience reinforces the risk to consumers of long-term, large scale infrastructure investments on their behalf. As the prior and current years demonstrate, future benefits of a long term commitment will be subject to significant volatility in net value, including the possibility that such investment yields net cost (losses) to consumers. Such actions can likewise chill existing proposals to build new plants and merchant transmission lines representing billions of dollars in new domestic investment on the backs of private investors.

Long-term contracts with Canadian imports will effectively dampen this market and could result in the loss of both new and existing local infrastructure, offsetting part or all of the presumed benefit of such a consumer-backed commitment. Contrary to the conclusions recently drawn by certain regional entities, the competitive market has not failed. Thousands of MW of new capacity has expressed an interest in participating in the 10th Forward Capacity Auction (FCA) and over one thousand (1,000) MW of new capacity cleared the recently concluded FCA 9. GSENA contends that the market is responding vigorously. For this reason we believe that the use of existing statutory authority to procure large-scale hydropower is neither necessary nor desirable.

¹ ISO-NE presentation entitled "Transmission Interface Transmission Capabilities: 2015 Regional System Plan Assumptions – Presentation 4" posted on the ISO-NE website for the March 24, 2015 Planning Advisory Committee.

In addition to the negative market implications that importing large-scale hydropower will have, the notion that these imports will be cheaper is dubious. Given the high cost of transmission infrastructure an investment in large-scale hydro projects will likely result in higher consumer cost than would otherwise be realized by local grid investment. Further, the more advanced of new transmission projects to import Canadian power would connect to New England inside what ISO-NE appears to be defining as an export-constrained Northern New England region. This questions the extent of value which would be realized by Connecticut consumers.

Reliability is also a genuine concern and given its distance from New England an overreliance on large-scale hydro imports can lead to impactful outages that will significantly impact system costs. A recent manifestation of these concerns occurred in December of 2014, resulting in emergency actions taken by ISO-NE to maintain grid viability. The outage in question resulted in a large spike in regional costs and negatively impacted both local generators and consumers alike.

Lastly GSENA has concerns regarding the potential for conflicting roles played by utilities in this process. GSENA believes that the strongest possible safeguards must be put in place to prevent even the appearance of conflicts of interest both in the evaluation and selection processes, particularly given the likelihood that utilities can submit proposals for consideration.

We look forward to the release of the final draft of this RFP and thank you for the opportunity to comment on this important endeavor.

Sincerely,

A handwritten signature in black ink, appearing to read "John Shue", written in a cursive style.

John Shue
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