

**CENTRAL MAINE POWER COMPANY  
RESPONSE TO ORAL DATA REQUEST NO. 1  
DOCKET No. 2008-255**

October 31, 2008

**ODR-01-13**

**Q.** Provide any communications in CMP's possession concerning the strawman for MPC put forth by ISO-NE. The strawman is a 138 kV alternative to the 345 kV line proposed in MPC.

**A.** The requested document is attached.

**Response Prepared and Submitted By:**

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**Attachment:**

1. ISO-NE MPC proposal

## DRAFT STRAWMAN

### **Proposed meeting of NECPUC, New England Transmission Companies and ISO New England**

**Objective:** To promote an open discussion and an airing of issues related to transmission cost increases and considerations for economic transmission. To consider how best to pursue process improvements for estimating transmission costs – and to seek agreement from the states to develop policy direction for, and actively engage in, regional discussions considering economic transmission investment.

The below two sections identify the two major agenda topics being proposed for the meeting. Each topic area also has a high-level description of the background and one or more issues and proposed actions. Topics, issues and proposed actions included in this draft document should not be viewed as exhaustive. Rather it is a starting point for discussion to assist in the scope, design and structure of the meeting. There are likely to be numerous additional topics, issues and action items suggested by meeting participants.

#### **A. Process Improvements in the area of Transmission Planning, Reporting and Cost Management:**

**Background:** Concerns have been expressed about the increases in the costs of transmission projects relative to the initial estimates published in the RSP. Additionally, the states have questioned whether the ISO is reviewing the prudence of costs incurred, which it is not, since this is FERC's jurisdiction.

**Proposed Action:** The TOs, states and the ISO should explore whether there are process improvements that could be jointly implemented to address these concerns. The first step is to clearly identify and define the concerns. Following this, a smaller working group could be established to design the process improvements to address concerns.

#### **B. Economic Transmission Investments:**

**Introduction:** The proposed meeting, and any subsequent follow-up meetings, would not supersede the discussion in the current Economic Studies Working Group (ESWG). Rather, the effort would aim to complement the work of the broad ESWG group and help it reach consensus by encouraging guidance from a smaller group. Without such broad consensus, it appears that it will be difficult, if not impossible, for the region to move forward in general or on the specific projects currently being proposed. In this regard, there are at least four linked issues that are worthy of discussion:

##### **1) Policy Guidance and Involvement from the States in the ESWG**

**Background:** To date, the ESWG has done an excellent job identifying important policy considerations, but it is a difficult forum within which to reach consensus on policy decisions. In this regard, NECPUC guidance is essential.

**Proposed Action:** NECPUC is urged to consider developing a policy direction that can guide the discussions in the ESWG and to commit resources to the ESWG work. This commitment

should include active state involvement to define the appropriate methodology for conducting and utilizing economic studies. This also includes achieving consensus on the framework within which the studies will be performed, how they will be used, critical input assumptions, important study metrics, the range of sensitivity analysis to be conducted and other important factors.

## 2) Consideration of the Maine Power Connection Project

**Background:** The ESWG has struggled with its conceptual task in part because the Maine Power Connection (MPC) project, and its consideration as a Market Efficiency Transmission Upgrade (METU), has been viewed as a matter in dispute, with stakeholders having felt the need to stake out positions on this project in order to preserve positions on future projects of this kind.

**Proposed Action:** As a means to resolve the impasse on the MPC project and find a way of moving forward on the larger issues, we suggest that the state regulators should consider the following three-part approach to addressing the MPC project:

- a) *Straight forward interconnection of Maine Public Service (MPS) territory to the New England control area.* This should only require a modest investment at 138 kV. The ISO believes the tariff can support regional cost sharing of this interconnection based on prior precedent and the existing tariff language – and in accordance with cost allocation principles in schedule 12 of the tariff.
- b) *Interconnection of wind resources in Northern Maine, piggybacking on the MPS Interconnection and supported by bilateral agreements that ensure cost control of the transmission investment and contractual assurance of the energy benefit.* To interconnect the first 300 MW of wind resources will require a relatively modest incremental investment over and above the interconnection of MPS. This is because design of the line will have to be upgraded to 345 kV in order to accommodate the wind resources. The incremental cost of building the MPS interconnection at 345 kV should be accomplished under the broader elective transmission upgrade structure described in 4. below. Any generator leads interconnecting the wind projects to this 345-kv trunk line will be the responsibility of the wind generators as defined under the existing tariff. Extension of this trunk line to interconnect additional new wind resources in Northern Maine can be accomplished in a similar fashion.
- c) *In the longer term, development of 2.b. above would provide the basic structure for a possible new interconnection with New Brunswick at St. Andre.* This will require an additional incremental investment of approximately 30 miles of 345 kV over what is required to interconnect the proposed wind resources in Northern Maine. Regional cost support for this additional increment of transmission would be worthy of consideration and study by the region. In this regard, there would be three possibilities that could be considered:
  - (1) Treatment as a reliability project, if this is justified (similar to the second New Brunswick tie that was recently placed in service),

- (2) Treatment as a METU project, per the proposed clarification of METU language as described in 3. below, or
- (3) Treatment as an elective upgrade, as described in 4. below.

### **3) Clarify and/or Modify Tariff Definitions for Market Efficiency Transmission Upgrades**

**Background:** To move forward on the broader issues surrounding future development of major transmission projects to interconnect remote resources, we should consider clarifying the application of METU language.

**Proposed Action:** The current METU language is based on straight-forward production cost savings as the basis for making decisions. The language could be clarified to describe that METU treatment will only be considered for projects that lower production costs on the existing bulk power system (in other words, the existing transmission system with existing resources), and that it should not apply to construction of transmission to interconnect new resources. In addition we could consider establishing a threshold monetary value above which a different, higher level of scrutiny is required before a project is approved.

Such a clarification will obviously eliminate many of the current project proposals from seeking METU treatment since they seek to create trunk lines to interconnect new resources. Thus, this creates a need to solve for cost allocation of transmission projects that propose to interconnect new resources that may bring economic benefits to the region. This is not intended to modify generator interconnection costs and responsibilities outlined in Schedules 11, 22, and 23 of the tariff. This takes us to the next topic.

### **4) Utilize Elective Upgrade Category Combined with a possible Portfolio Approach to Transmission investments**

**Background:** Actions above would eliminate many of the projects that have been proposed for METU treatment since they all seek to broadly interconnect new resources. It is proposed that all projects of this kind (think of these as "trunk lines"), that may bring economic and other agreed-upon benefits to the region, could be treated as elective transmission projects. Such projects may seek broad-based cost sharing (up to full regional cost sharing), depending on the nature of the proposal by the project sponsor. Thus, projects in this category would need to solve for two issues:

- a) Technical approval by the ISO, as is required for all projects today
- b) Creation of a business arrangement that would ensure cost control on the transmission project and ensure that the energy benefits are contracted for in a manner that would justify the transmission investment. The benefits, costs and risks associated with this arrangement will be shared by the parties involved. This is similar in concept to the way that the HQ Phase II line and 'pool planned units' were built. This concept could be applied project by project, but it could also be applied to a portfolio of projects that are jointly proposed by the Transmission Owners. Such a portfolio of projects could include both the Tier 2 and Tier 3 projects described in the ISO's long-term strategic plan document. A portfolio approach offers the benefit of speeding or slowing the investment

depending on the prevailing view of economic conditions (such as the price of natural gas). This decision would be controlled by the participants in the investment. Another benefit of this approach is that it would provide for a shared equity arrangement amongst all the participating Transmission Owners, and therefore may allow for a more objective, consensus based evaluation of the relative merits of the prioritization of projects within the portfolio.

**Proposed Action:**

- i) Define the terms and conditions of a business arrangement that would be acceptable to the states, either on an individual project basis, or on a portfolio basis,
- ii) Explore the possibility of defining a portfolio of projects, and
- iii) Define the appropriate role for the ISO – analyst/facilitator/coordinator?