

January 4, 2001

Office of Policy
Office of Economic, Electricity and Natural Gas Analysis
PO-21
Attention: Electric Reliability Comments
U.S. Department of Energy
Forrestal Building, Room 7H-034
1000 Independence Ave., S.W.
Washington, D.C. 20585

Dear Mr. Conti:

The Department of Public Utility Control submits the following in response to the Department of Energy's request for comments dated November 20, 2000 regarding electric reliability issues.

- 1. Is the existing arrangement of voluntary compliance with industry reliability rules sufficient to ensure reliability of the bulk power transmission system? If not, why not, and has reliability been jeopardized by violations of the existing bulk power reliability standards?**

The existing system of voluntary compliance in New England suffices to ensure reliability of the bulk power transmission system. Adequate rules for reliability are set forth in Market Rules established pursuant to the New England Power Pool (NEPOOL) Agreement and FERC Order 888 and are ably administered by the Independent System Operator of New England (ISO-NE) with the assistance of Connecticut Valley Electric Exchange (CONVEX) among others. Additionally, Connecticut should not face the reliability problems experienced in California because the circumstances in Connecticut going into restructuring are different than those in California. Finally, it is not clear that FERC has legal authority to make rules regarding reliability.

ISO-NE, which is subject to FERC jurisdiction, is responsible for daily operation of the New England grid system. ISO-NE dispatches generation and transmission resources necessary to meet hourly load requirements. The following system features and rules serve to ensure reliability. First, electric utilities can rely on the regional resources to meet indigenous load. Second, ISO-NE retains the discretion to dispatch generation out of bid price order to maintain system reliability. Third, the NEPOOL wholesale market consists of two main categories: energy and reserve. The reserve markets function to (1) maintain system stability and (2) ensure sufficient standby power to meet demand. Fourth, ISO-NE employs Operating Procedure 7, Operating Procedure 4, and Master Satellite Procedures 2 to manage tight capacity situations. Additional new programs and rules seek to further increase reliability, including a load

response program in summer 2001 and congestion management and multi-settlement systems. Additionally, the ISO-NE system is interconnected with other systems in New York and Canada. ISO-NE plans to curb scheduled maintenance during the summer months to improve the adequacy of operating reserves. Finally, NEPOOL requires load-serving entities to own or have contractual entitlement to physical generating capacity in excess of their peak demand to ensure sufficient installed capacity. This system has worked to ensure system reliability in New England and should not be replaced until such time as it is demonstrated to no longer be an effective system for ensuring reliability. To the extent that the present system should be modified, it may be appropriate for Regional Transmission Organizations to play some role in ensuring reliability for the New England system.

Connecticut is not likely to experience the type of reliability problem faced in California because the New England system's Market Rules and expected increase in generation and transmission assets in Connecticut will improve reliability. First, as mentioned above, Market Rules in the New England system, like the requirement that load-serving entities maintain reserve capacity sufficient to meet its peak load plus a margin, will reduce the likelihood of an electricity shortage. Second, part of California's problem appears to be due to a lack of native generation and/or the ability to import from outside California. In Connecticut, the addition of new generation capacity and new transmission in Connecticut will increase the reserve margin, which already exceeds recommended levels. The Connecticut Siting Council has approved applications for five generating facilities totaling 2642 MWh. Approximately 1586 MWh are expected to be available during 2002. An additional 544 MWh will be available in 2003, and another 512 MWh is expected to be in service in 2004. (See Exhibit 5). A 600 MWh undersea transmission cable between Long Island, New York and New Haven has been proposed and scheduled for completion in 2002. If approved this tie line would increase import and export capability between Connecticut and Long Island.

In short, the existing arrangement is sufficient and cost effective in dealing with the unique reliability concerns of the New England regional electric market.

Lastly, with respect to the issue of reliability, FERC's jurisdiction appears to be limited to studying reliability and then recommending standards to the electric industry regarding "equipment, operating procedures and training personnel, and standards relating to the level or levels of reliability appropriate to adequately and reliably serve the electric consumers." 16 U.S.C. § 824a-2. This section does expressly provide the FERC with rulemaking or enforcement authority over reliability issues. Therefore, FERC would be overstepping its jurisdictional bounds if it sought to establish and enforce federal reliability standards.

In the last analysis, the real test of whether the reliability system is whether the system works. New England has not had a significant outage in the last 35 years.

If you have any further questions, please do not hesitate to contact me at (860) 827-2742.

Sincerely,

Robert Luysterborghs
Adjudicator