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August 30, 2012

VIA ELECTRONIC MAIL

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New England States Committee on Electricity  
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RE: NESCOE Coordinated Competitive Renewable Procurement Draft Work Plan

Dear Mr. Bertrand:

The Sierra Club respectfully submits the following comments regarding the New England States Committee on Electricity (“NESCOE”) Coordinated Competitive Renewable Procurement Draft Work Plan (“Draft Work Plan”). The Coordinated Competitive Renewable Power Procurement process, endorsed by all six of the New England governors, provides a cost-effective strategy for the New England states to meet their renewable energy goals while fostering job growth in the region, improving human health and the environment, and promoting the goals of the Regional Greenhouse Gas Initiative (“RGGI”). NESCOE’s Draft Work Plan lays out a prudent path forward, and, subject to the recommendations identified below, should be rapidly implemented to ensure that the enormous potential economic and environmental benefits are not delayed or lost.

In order to maximize the benefits associated with the Coordinated Competitive Procurement process, the Sierra Club makes the following recommendations regarding the Draft Work Plan:

- 1) Formalize the deadlines identified within the work plan to increase accountability and help ensure expeditious achievement of procurement milestones;
- 2) Promote transparency and opportunities for public participation throughout the procurement process; include environmental NGO representation on the Procurement Team;
- 3) Encourage states to initiate without delay any regulatory or legislative processes necessary to facilitating the procurement process in those states, including

creation of authority for state public utility commissions (“PUCs”) to require Electric Distribution Companies (“EDCs”) to enter into long-term contracts, where needed.

Many additional decisions regarding the scope of the nature of the product to be procured, criteria for evaluation, and other aspects of the request for proposals (“RFP”) are appropriately deferred to the deliberative judgment of the Procurement Team. However, to ensure that the procurement retains its economic and environmental benefits for the region, NESCOE should require that the RFP targets renewable energy projects physically located within the New England region.

## I. Background

The New England states have each established progressive renewable portfolio standards. As the states work to cost-effectively comply with these standards, they have been engaged for several years in discussions regarding the potential benefits of joint or coordinated competitive renewable power procurement. Such a coordinated procurement process is projected to offer a number of advantages over the present *ad hoc* renewable procurement structure including improving the coordination of large-scale transmission development to interconnect the region’s renewables and increasing economies of scale by procuring renewables in larger quantities.

On July 30, 2012, the New England governors announced the adoption of a resolution directing NESCOE to implement a work plan for the competitive coordinated procurement of regional renewable power. Pursuant to the resolution, the governors directed NESCOE “to implement the work plan and any regulatory proceedings or procedures as are necessary or appropriate to execute the coordinated competitive regional procurement of renewable power.”<sup>1</sup> On August 10, 2012, NESCOE released a Draft Work Plan, identifying a proposed process for moving forward with the coordinated procurement and seeking public comment. To help NESCOE maximize the benefits associated with the forthcoming RFP, the Sierra Club makes the following recommendations regarding the Draft Work Plan.

## II. Recommendations

### 1. Formalize deadlines identified within the Draft Work Plan.

The Draft Work Plan lays out a thoughtful and appropriately paced process for carrying the RFP through from initial creation of the Procurement Team to public utility commission review and final approval of contracts and cost-recovery.<sup>2</sup> However, the work plan acknowledges that its projected timeframes do not include the time to address

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<sup>1</sup> A Resolution Directing the New England State Committee on Electricity (NESCOE) to Implement a Work Plan for the Competitive Coordinated Procurement of Regional Renewable Power (July 30, 2012).

<sup>2</sup> Draft Work Plan at 12-13.

threshold questions and that the process could be stalled by issues such as legal challenges.<sup>3</sup> Moreover, the timeframes identified in the Draft Work Plan are liable to be missed or extended if there is less than robust participation by all essential stakeholders. To increase accountability and help ensure that the benefits of the coordinated regional procurement are not unduly delayed, the Sierra Club recommends formalizing the deadlines identified in the Draft Work Plan and establishing fixed dates by which key milestones in the process (issuance of RFP, identification of preferred projects, PUC approval of contracts) will occur.

Clearer deadlines will promote timely compliance with the governors' resolution and help ensure that New England states are able to meet their renewable portfolio goals on schedule. Getting the process underway quickly is particularly important because the type of coordinated transmission build-out envisioned by the regional renewable procurement process will take time to implement. In addition, more concrete and public deadlines will increase accountability and help New England states to more rapidly realize the benefits associated with the RFP. These benefits include significant numbers of good jobs for the region and significant savings to customers. Indeed, the energy and capacity price-reducing effect of fuel-free renewables such as wind and solar has been confirmed by a number of recent studies. Illinois, for example, estimated that renewable resources lowered Locational Marginal Prices in Illinois in 2011 by \$1.30/MWh, resulting in aggregate savings of \$176.85 million in total load payment for generation in Illinois in that year.<sup>4</sup> Massachusetts found similar price suppression effects from renewable energy, estimating that "Massachusetts electric customers in total benefit by approximately \$50 per year per additional megawatt-hour of renewable generation in that year."<sup>5</sup> And an analysis of wind in the MISO region estimates that a 20 GW addition of wind power in that region would result in a "net savings that would range from \$63 to \$147 per year in 2020" for a customer using 1,000 kWh per month and a 40 GW addition would result in net savings "from \$71 to \$200 per year."<sup>6</sup>

To realize these potentially significant benefits, NESCOE should formalize the timeline set forth in the Draft Work Plan, with issuance of the RFP in spring 2013, Procurement Team identification of preferred projects by the end of 2013 and final public utility commission approval of contracts by the end of 2014.

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<sup>3</sup> *Id.* at 13.

<sup>4</sup> Illinois Power Agency, *Annual Report: The Cost and Benefits of Renewable Resource Procurement in Illinois Under the Illinois Power Agency and Illinois Public Utilities Acts*, at 18-19 (March 30, 2012), available at <http://www.illinois.gov/IPA>. Another recent report from Illinois projects that the 23 largest wind farms in the state will generate a total economic benefit of \$5.98 billion over the life of the projects. Illinois State University Center for Renewable Energy, *Economic Impact: Wind Energy Development in Illinois* (June 2012), at 6 (assuming a project life of 25 years).

<sup>5</sup> Executive Office of Housing and Economic Development and Executive Office of Energy and Environmental Affairs, *Recent Electricity Market Reforms in Massachusetts: A Report of Benefits and Costs*, at 23 n.17 (July 2011), available at <http://www.mass.gov/eea/docs/doer/publications/electricity-report-jul12-2011.pdf>.

<sup>6</sup> *The Potential Rate Effects of Wind Energy and Transmission in the Midwest ISO Region*, at 3.

2. Ensure transparency and opportunities for public participation throughout the procurement process and include NGO and renewable energy industry representation on the Procurement Team.

Decisions that are being made in the context this coordinated procurement process will shape the future of renewable energy in New England for decades to come and will play a vital role in determining whether states are able to comply with RGGI and other state specific greenhouse gas reduction goals in a cost-effective manner. Public input and expertise from knowledgeable stakeholder groups is therefore both appropriate and necessary, and should be expressly incorporated into the procurement process at all key decision stages.

Of particular importance, the proposed composition of the Procurement Team should be modified to include representation from the environmental NGO sector and to include a party with detailed knowledge of the renewable energy industry. Under NESCOE's Draft Work Plan, the Procurement Team is appropriately tasked with making a number of high-level decisions regarding the scope of the nature of the product to be procured, criteria for evaluation, and the structure of the template RFP contract. At present, the Procurement Team would be comprised only of state representatives, NESCOE and EDCs. While the Sierra Club encourages states to include rate advocates in their representation on the team, Sierra Club believes the current structure continues to omit at least two crucial stakeholder groups.

First, there should be representation from the environmental NGO community on the Procurement Team. Many of the environmental groups working in New England have significant knowledge and experience relative to the environmental and human health effects of the resources under consideration and have engaged in similar procurement processes elsewhere in the country. They will provide both relevant factual information and important perspective about how the key threshold decisions in the RFP will or will not work to achieve regional environmental and climate goals. Second, representation from a party with sophistication about the renewable energy industry will greatly benefit the Procurement Team as well. A detailed understanding of the economic needs and realities will be important to effectively designing the contracts that are the goal of this procurement process.

3. Encourage states to initiate any regulatory or legislative processes that will be necessary to facilitate the procurement process in those states, including creation of authority for state PUCs to require EDCs to enter into long-term contracts, where necessary.

As NESCOE identifies in its Draft Work Plan, there are certain legal processes that may need to be initiated within the individual states in order to move forward with long-term contracting for renewables.<sup>7</sup> For example, some states may need to open

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<sup>7</sup> See Draft Work Plan at 11.

proceedings to provide the appropriate regulatory context for procurement.<sup>8</sup> Other states may currently lack a process authorizing the state public utility commission to require local EDCs enter into long-term contracts. To the extent there exist regulatory or legislative actions at the state level that would significantly help to facilitate implementation of the procurement, NESCOE should encourage states to initiate these processes immediately so that they do not end up delaying implementation of the process.

The NESCOE Draft Work Plan sets forth a well-considered approach to moving forward with the coordinated competitive procurement of renewable resources in New England. Subject to the recommendations included above, the Sierra Club encourages NESCOE to rapidly move forward with implementation of the plan.

Respectfully submitted,



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<sup>8</sup> *Id.*

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