



Contact: David Tuohey, Director of Communications & External Affairs
(413) 308-1392

dtuohey@mmwec.org

National organizations join MMWEC in opposing power grid proposal

Issue seen as ‘a matter of substantial national policy significance’

LUDLOW, Mass. – January 7, 2013 – National and regional public power organizations have joined the Massachusetts Municipal Wholesale Electric Company (MMWEC) in asking federal energy regulators to reject a proposal by New England’s power grid operator that threatens long-standing and fundamental business practices of consumer-owned utilities, which serve approximately two million New England customers.

By restricting the right of consumer-owned utilities to receive credit for resources they build or buy to meet their customers’ electricity needs, the ISO New England (ISO-NE) proposal unnecessarily and unjustly undermines the value and benefits of public power, according to the joint request of MMWEC and the New Hampshire Electric Cooperative (NHEC), filed with the Federal Energy Regulatory Commission on Dec. 28, 2012.

MMWEC’s position at FERC is being supported by the American Public Power Association, the National Rural Electric Cooperative Association and the Northeast Public Power Association, which also filed joint comments with FERC, stating that the ISO-NE proposal raises “a matter of substantial national policy significance” and represents “a disturbing trend” in the nation’s organized electric power markets.

“This proposal undermines the public power business model as it limits the right of consumer-owned utilities to make their own resource choices, which is essential to their ability to meet customer needs in a timely manner ,” said MMWEC Chief Executive Officer Ronald C. DeCurzio.

Likewise, the national and regional public power organizations see the ISO-NE proposal as “a fundamental challenge to the longstanding, not-for-profit business model of publicly and cooperatively owned electric utilities.”

more

MMWEC opposes power grid proposal - 2

At issue is the ISO-NE proposal to redesign its Forward Capacity Market (FCM), through which electric generating capacity is procured three years in advance of the time it is needed to meet the demand for electricity in New England. Each utility is required to have sufficient electric generating capacity to meet its share of the regional demand for electricity, a requirement that consumer-owned utilities have been able to satisfy by “self-supplying” the capacity they own or contract to buy. The right to engage in self-supply is a key component of the current FCM market design, which was approved by FERC in 2006.

One of ISO-NE’s proposed FCM changes would jeopardize the ability of consumer-owned utilities to use new self-supplied resources to meet their capacity obligations. If the change is approved, such self-supplied resources could be excluded from the FCM, diminishing the proven value and benefits of resource ownership for consumer-owned utilities.

Despite direction from the FERC that it was free to do so, ISO-NE failed to address this “obvious and substantial” burden on consumer-owned utilities in its proposal, according to MMWEC.

Moreover, the operator of the PJM Interconnection, a regional power market serving 13 mid-Atlantic states that has been using a capacity market design similar to the one proposed by ISO-NE, recently acknowledged the faults of a market design that limits self-supply. As a result, PJM has asked the FERC to approve changes that would protect the self-supply rights of consumer-owned utilities.

MMWEC states in its filing that ISO-NE needs to take account of the experience in the PJM Interconnection. “Rather than learn from the experience of PJM and its consumer-owned utilities, ISO-NE is intent on ignoring it,” MMWEC states.

The public power business model features local ownership and control of utility business and not-for-profit operations, generally yielding superior service and lower rates for utility customers. It takes a much longer and broader view of a utility’s supply obligations, as compared to the three-year window of ISO-NE’s FCM, which has been subject to numerous changes and litigation since its inception.

“Without the ability to self-supply and ensure a stream of revenue for this capacity, the public power financing model and the long-term benefits it brings to consumers are in jeopardy,” DeCurzio said.

The ISO-NE proposal is in response to a 2010 FERC order requiring additional changes in New England’s capacity market design, including changes that undermine the public power business model. MMWEC, NHEC and others have appealed that FERC order to the U.S. Court of Appeals for the D.C. Circuit.

MMWEC is a non-profit, public corporation and political subdivision of the Commonwealth of Massachusetts that provides a wide range of power supply, financial, risk management and other services to the state’s consumer-owned municipal utilities.