



# Connecticut Department of Energy and Environmental Protection



Connecticut Department of  
**ENERGY &  
ENVIRONMENTAL  
PROTECTION**

# **Performance Based Utility Regulation & An Assessment of Deregulation**

***Informational Forum on Tropical Storm Isaias  
Response & July 2020 Electric Utility Rates***

Katie Dykes, Commissioner  
August 27, 2020



Connecticut Department of Energy and Environmental Protection

# Traditional Utility Regulation

$$\text{Revenue Requirement} = \text{Expenses} + (\text{Gross value of property} - \text{Accrued depreciation}) \times \text{Rate of Return}$$

Eversource ROR = 9.25%

United Illuminating = 9.1%



# Performance-Based Regulation

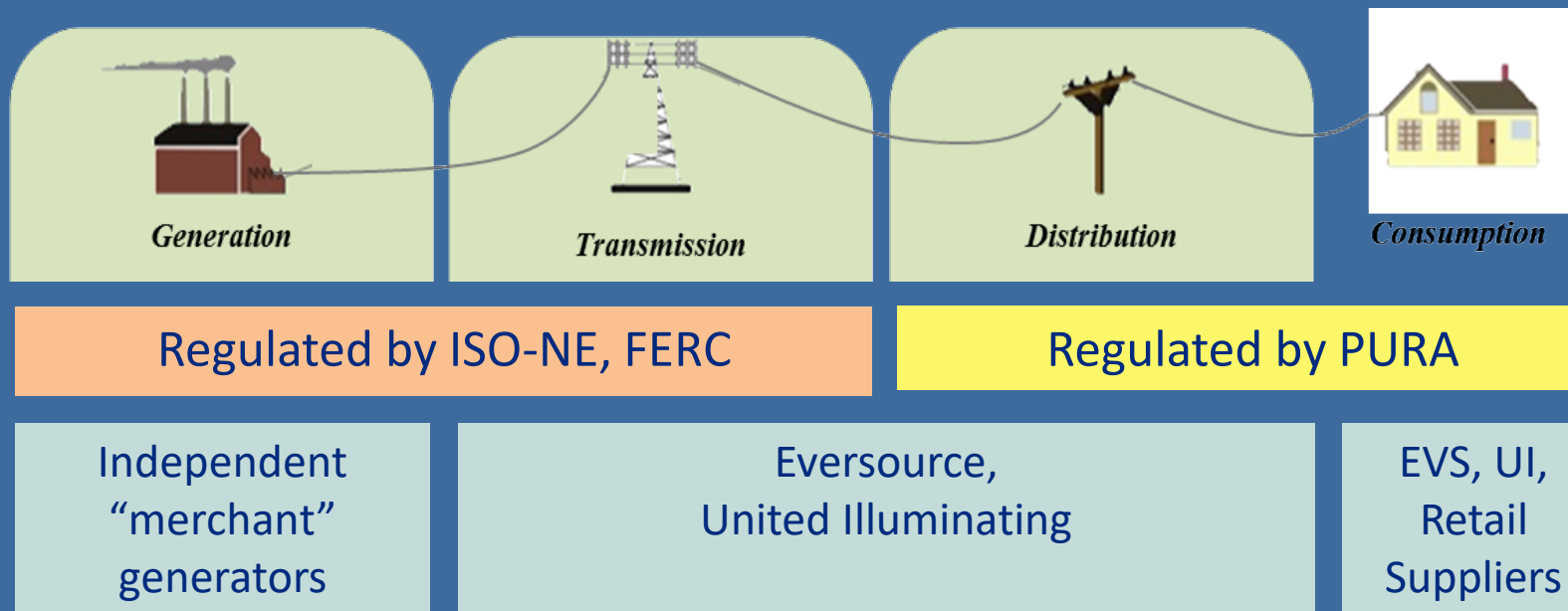
*Utility profits, executive compensation, and employee incentive compensation should all be based on performance and outcomes that benefit their customers.*

Establish clear performance standards and metrics:

- Affordability & Equity,
- Customer Satisfaction
- Reliability & Resilience
- Advancing Clean Energy & Environmental Goals



# Deregulation, 20+ Years On



Connecticut Department of Energy and Environmental Protection

## STATE JURIS./DISTRIBUTION RATES

*Clean, Affordable, Reliable*

- (P.A. 98-28) Energy Efficiency Fund, RPS

## FERC JURISDICTION/ISO-NE TARIFF

*Reliable*

- Wholesale Energy Market



## STATE JURIS./DISTRIBUTION RATES

*Clean, Affordable, Reliable*

- (P.A. 98-28) Energy Efficiency Fund, Renewable Portfolio Std.

## FERC JURISDICTION/ISO-NE TARIFF

*Reliable*

- (1999) Wholesale Energy Market
- **(1998-2002) Reliability Must Run contracts for 1700 MW**



## STATE JURIS./DISTRIBUTION RATES

*Clean, Affordable, Reliable*

- (P.A. 98-28) Energy Efficiency Fund, Renewable Portfolio Std.
- **(2005) Demand response, CHP, peaking generation contracts**

## FERC JURISDICTION/ISO-NE TARIFF

*Reliable*

- (1999) Wholesale Energy Market
- (1998-2002) 1700 MW Reliability Must Run (RMR) contracts to address congestion





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- (2005) Demand response, CHP, peaking generation

## FERC JURISDICTION/ISO-NE TARIFF

*Reliable*

- (1999) Wholesale Energy Market
- (1998-2002) 1700 MW RMR Contracts
- **(2006) Forward Capacity Market with self-supply option**



## STATE JURIS./DISTRIBUTION RATES

*Clean, Affordable, Reliable*

- (P.A. 98-28) Energy Efficiency Fund, Renewable Portfolio Std.
- (2005) Demand response, CHP, peaking generation
- *RPS not attracting investment in grid-scale renewables*

## FERC JURISDICTION/ISO-NE TARIFF

*Reliable*

- (1999) Wholesale Energy Market
- (1998-2002) 1700 MW RMR Contracts
- Forward Capacity Market with self-supply option
- *Polar vortex – energy price spikes due to natural gas dependence*



## STATE JURIS./DISTRIBUTION RATES

*Clean, Affordable, Reliable*

- (P.A. 98-28) Energy Efficiency Fund, Renewable Portfolio Std.
- (2005) Demand response, CHP, peaking generation
- **(2013) Competitive RFPs for long-term contracts for renewables**

## FERC JURISDICTION/ISO-NE TARIFF

*Reliable*

- (1999) Wholesale Energy Market
- (1998-2002) 1700 MW RMR Contracts
- Forward Capacity Market with renewable exemption
- **(2014) Winter Reliability Program**
- **(2015) Pay for Performance**



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## FERC JURISDICTION/ISO-NE TARIFF

*Reliable*

- (1999) Wholesale Energy Market
- (1998-2002) 1700 MW RMR Contracts
- Forward Capacity Market ~~with renewable exemption~~ **with MOPR**
- (2015) Pay for Performance
- **(2017) CASPR**



## STATE JURIS./DISTRIBUTION RATES

*Clean, Affordable, Reliable*

- (P.A. 98-28) Energy Efficiency Fund, Renewable Portfolio Std.
- (2005) Demand response, CHP, peaking generation
- (2013-2017) Competitive RFPs for long-term contracts for renewables
- *Millstone: We will retire if we don't receive a long-term contract*

## FERC JURISDICTION/ISO-NE TARIFF

*Reliable*

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- (1998-2002) 1700 MW RMR Contracts
- Forward Capacity Market with MOPR
- (2015) Pay for Performance
- (2017) CASPR
- *(2017) ISO-NE OFSA Study: Rolling blackouts possible if nuclear, LNG retire*



## STATE JURIS./DISTRIBUTION RATES

*Clean, Affordable, Reliable*

- (P.A. 98-28) Energy Efficiency Fund, Renewable Portfolio Std.
- (2005) Demand response, CHP, peaking generation
- (2013-2020) Competitive RFPs for long-term contracts for renewables
- **(P.A. 17-3) 10-year contract with Millstone**

**~84% of CT energy consumption now under contract to support regional reliability and secure clean energy**

## FERC JURISDICTION/ISO-NE TARIFF

*Reliable*

- (1999) Wholesale Energy Market
- (1998-2002) 1700 MW RMR Contracts
- Forward Capacity Market with MOPR
- (2015) Pay for Performance
- (2017) CASPR
- *(2017) ISO-NE OFSA Study: Rolling blackouts possible of nuclear, LNG retire*
- **(2018) RMR Contract with Distrigas LNG facility**

**CT continues to be billed 25% of ISO-NE market costs**

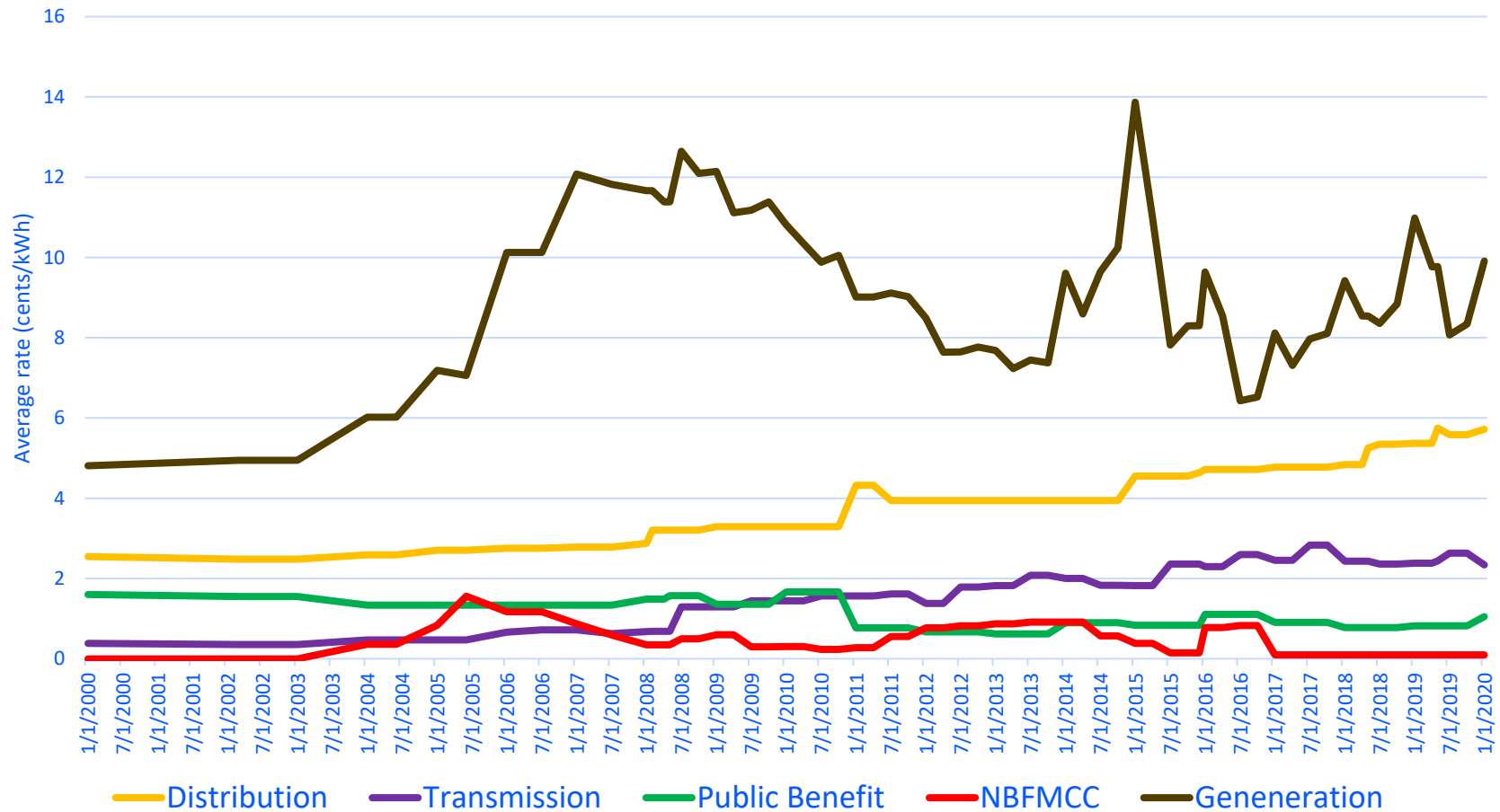


# Transmission Costs

- ISO-NE has no transmission planning cycle, like other RTOs.
- Transmission ROEs allowed by FERC are unreasonably high (10.57%-11.74%). CT DEEP, PURA, OCC, and AG have heavily contested unjust and unreasonable transmission ROEs at FERC for over a decade.
- Transmission costs in New England have risen from approximately **\$869 million** in 2008 to **\$2.25 billion** ten years later.
- New England ranks near the top in terms of *spending* on transmission construction, and near the *bottom* in terms of circuit-miles of transmission per dollars spent.
- Transmission projects in New England average 70% project cost escalations, the *worst in any ISO/RTO in the country*. The average nationally is 34%.



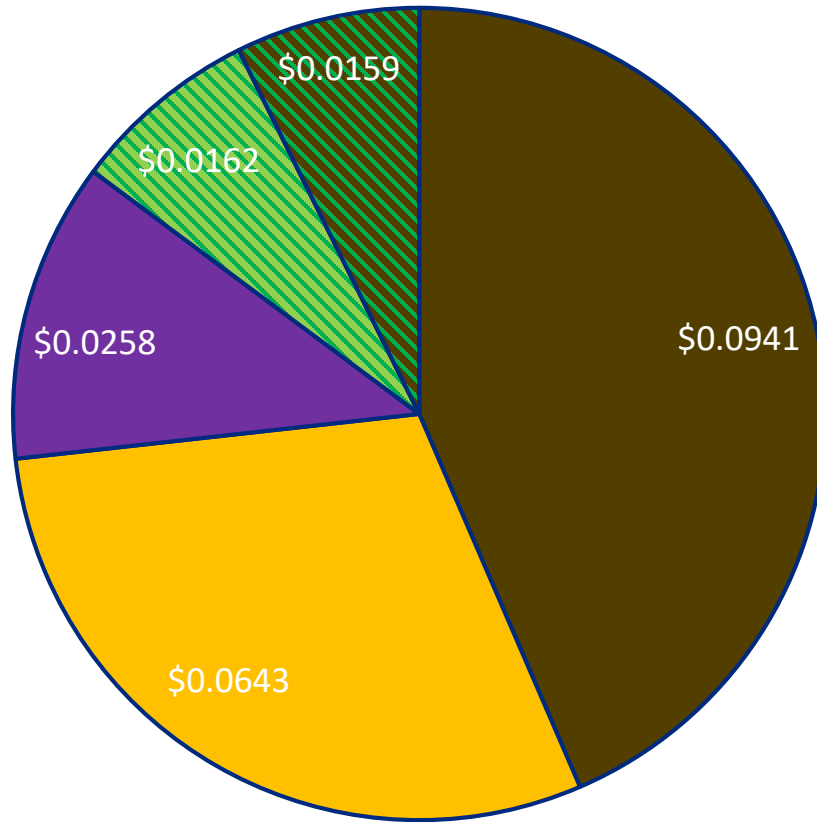
# Eversource Volumetric Rate Component Trends



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# Eversource Volumetric Rates (2019)

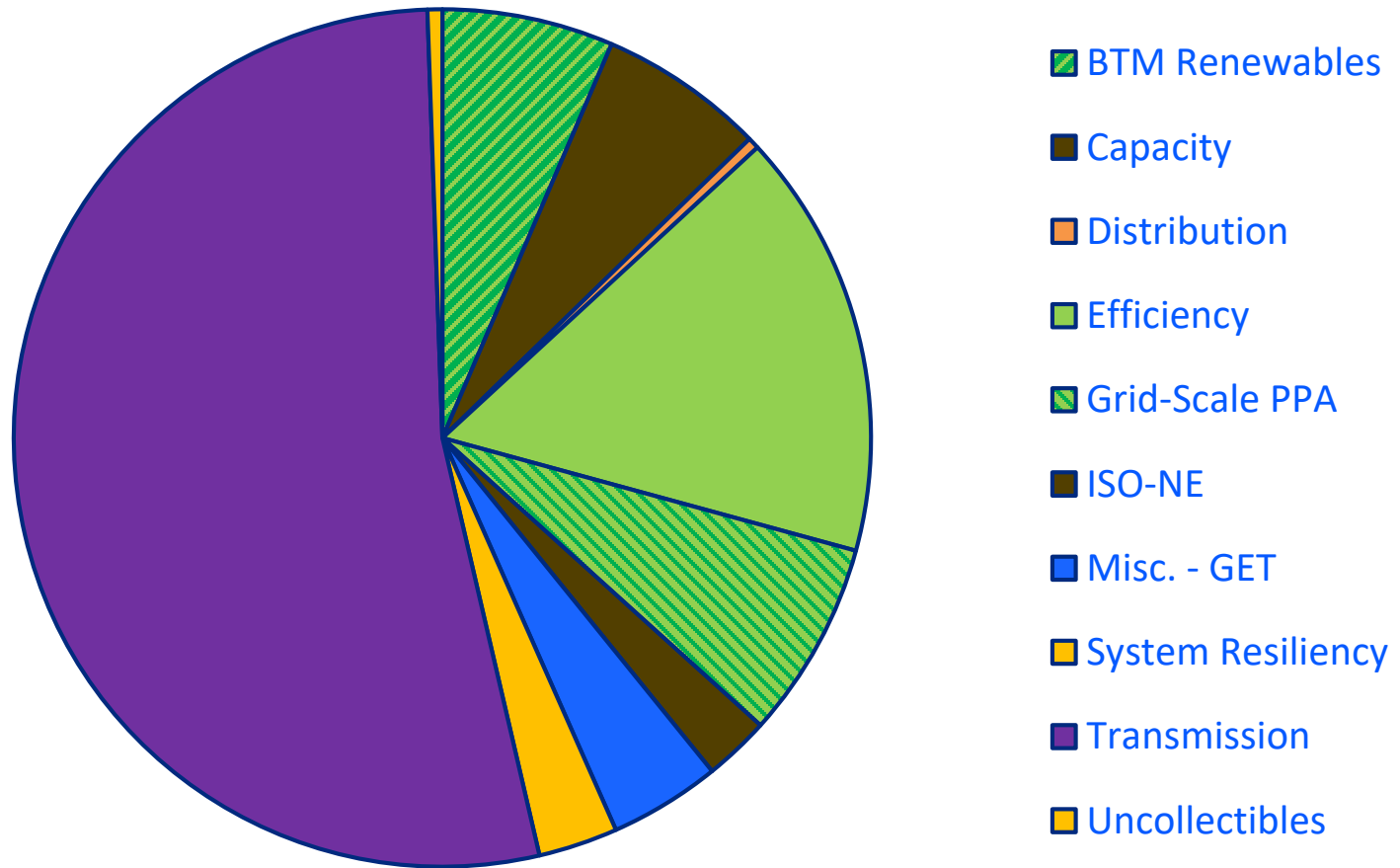


Eversource rate components *other than* transmission and generation.

- Generation
- Distribution
- Transmission
- Public Benefit
- NBFMCC



# Eversource Rates Not Incl. Distr. & Gen.



# Transparency & Accountability

- ISO-NE Board meetings are closed to the public.
- Minutes of ISO-Board meetings are not provided to the public.
- *While ISO-NE activities have an “indisputable impact on the public, [ISO-NE] is a private corporation, not a government agency or regulator, and, therefore, it reserves the right to keep Board meetings private and not post Board minutes.”*
- ISO-NE market rule changes are vetted through NEPOOL, a voluntary association of New England electricity market participants.
- NEPOOL meetings are not open to the public or the press.
- The New England states have no vote at NEPOOL.
- Only through litigation did CT obtain the right to review ISO-NE’s budget, which is paid for by CT ratepayers.



# Why It Matters

## ISO-NE Energy Security Improvements (April 2020)

- Proposed fix to ISO-NE energy markets to purportedly address winter reliability and natural gas over-dependence
- ISO-NE proposal: estimated cost of up to \$260 million per year (Connecticut pays ~25% share)
- All six New England states advanced a joint proposal to reduce the cost of the ESI program by up to **\$99 million**
- **A majority (61%) of NEPOOL stakeholders supported the states' approach**, versus 40% in favor of the ISO-NE approach.
- ISO-NE sought FERC approval of its own, more expensive proposal anyway...why?





ISO NEW ENGLAND INC.

Agenda  
Board of Directors Meeting  
May 19, 2020

Audio-Video Conference

1. Executive Session
2. Approval of Minutes of March 10, 2020, March 18, 2020 and April 7, 2020 Meetings
3. Committee Reports
4. Quarterly Scorecard Update
5. Management's Strategic Planning Work Products
6. Other Business
7. Executive Session

# Questions?

## NEXT STEPS

Integrated Resources Plan draft will be released in September, addressing a path to reform our wholesale energy markets.

DEEP looks forward to advocating at PURA proceedings for Performance-Based Regulation of the state's electric distribution utilities.

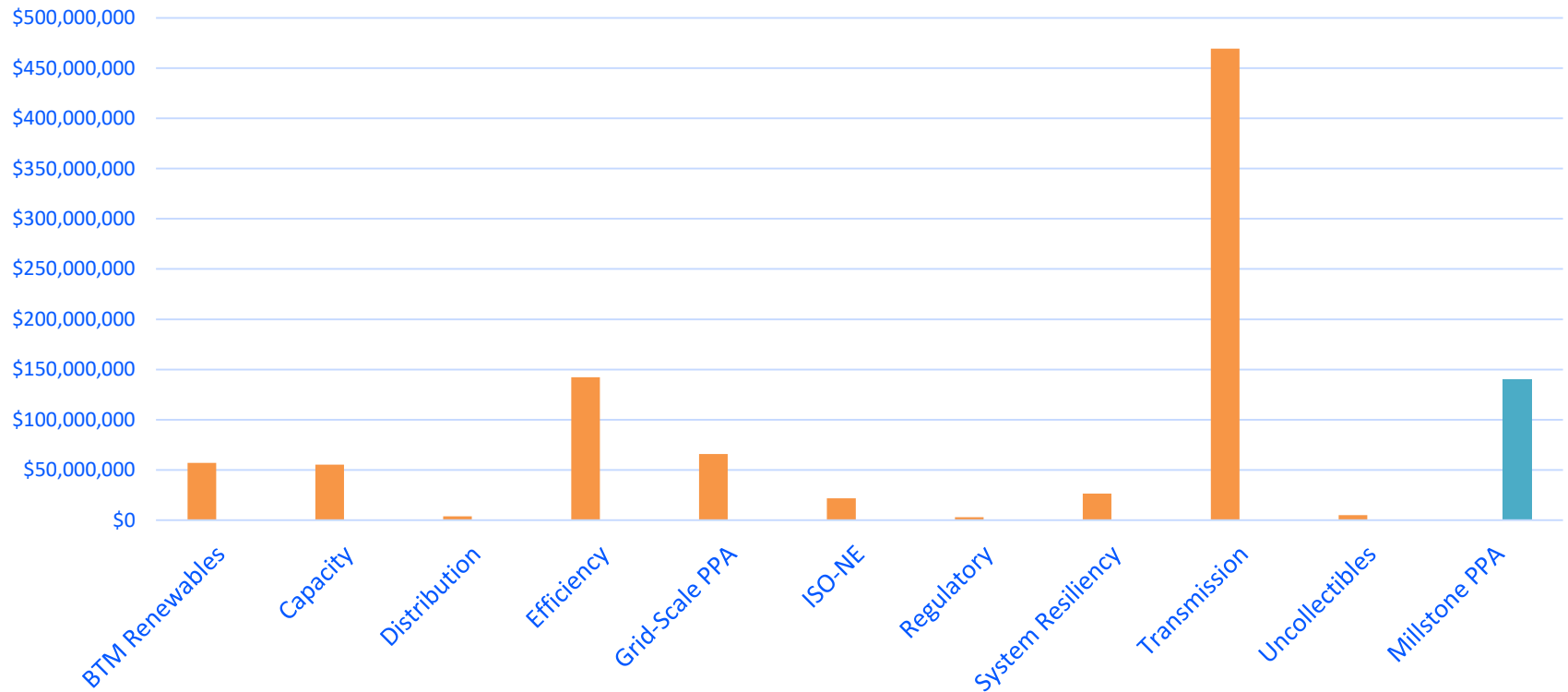


# Appendix



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# Millstone PPA Cost in Eversource RAM



- Projected net Millstone PPA cost in 2021 compared to actual 2019 Eversource RAM expenses



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