

Prepared Remarks of Brian Forshaw

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The Connecticut Municipal Electric Energy Cooperative was created by the publicly-owned electric systems in the State of Connecticut to enable the municipal systems to provide electric service to their customers at the lowest reasonable cost. Currently, CMEEC provides full requirements wholesale electric service to the State's eight public power systems as well as the Mohegan Tribal Utility Authority. As Director of Energy Markets, I am responsible for strategic planning activities and analysis of the impacts that wholesale markets will have on the municipal electric utilities. My responsibilities also include representing CMEEC in the ISO-NE stakeholder process, including the ISO-NE technical committees. I also currently serve as the Vice Chair for the Publicly-Owned Entities Sector on the NEPOOL Participants Committee.

- Before getting into the key topic areas requested by the Department, I just want to emphasize that there is an awful lot happening already in the transmission arena in New England. Since 2005, the transmission revenue requirements embodied in the RNS rate have increased by over 250%. And this is just the tip of the iceberg, as we have a number of additional "big ticket" transmission projects already scoped out in the ISO-NE Regional System Plan (RSP). These projects will undoubtedly more than double the current transmission revenue requirements over the next few years. Now, I'm not saying anything inappropriate has happened, or that these projects are not needed, but you should recognize that the transmission portion of customers' bills are now approaching the level of the capacity cost component of the wholesale power markets that we've fought over so bitterly for the past 3 or 4 years.
- From our perspective, when you look at the transmission system in a bid-based settlement such as we have in New England, it is important to look beyond just the congestion component of the LMPs. Persistent uplift due to out of merit operation of generating units and/or reliability must-run (RMR) contracts can be an indicator of the lack of adequate transmission support. Such charges are problematic because it is virtually impossible for load serving entities to hedge them through bilateral markets.
- In terms of data sources, the annual Regional System Plan prepared by ISO-NE provides a great deal of background information concerning developments on the New England bulk power system. The process involves considerable stakeholder involvement, including active

participation by the state regulators, and input into development of the material and conclusions that go into the final report.

- Finally, and perhaps most importantly, you need to keep in mind that we have an “integrated” bulk power system. Whether you put in a new transmission line, or interconnect a new generator, or reduce load through demand response programs or a generator simply changes its bidding patterns, there is bound to be some impact on the rest of the system. Perhaps the best, most recent, example of this was when the first phase of the Southwest Connecticut transmission project was activated in October 2006. Congestion charges in the LMP, which was formerly concentrated in the Norwalk/Stamford area, now show up regularly throughout all the Connecticut nodes. The magnitude of these congestion charges is substantially lower at each node, but they are spread out over a greater base of loads such that the net cost to consumers is about the same. Now we are starting to see concerns about getting generation from east of the Connecticut River to the western part of the state.

In closing, it is important to emphasize an awareness of the possibility of “unintended consequences” when you operate in a competitive market environment. Changes to the physical infrastructure are sure to get manifested in market outcomes. At the same time, reactions to markets and market changes can often exacerbate the perceived need for long lead time facilities such as new transmission or generation additions. The long lead times associated with such projects make it important to make sure that the full risks and impacts are understood before committing to the substantial costs which electric customers will ultimately end up paying.