

**State of Connecticut**  
**DEPARTMENT OF PUBLIC UTILITY CONTROL**

Notice of Request for Comments )  
Description of the Process for the Procurement, ) Docket No. 03-07-16  
and Notice of Hearing on Alternative Transitional )  
Standard Offer Power )

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**COMMENTS OF**  
**UNION OF CONCERNED SCIENTISTS**  
December 3, 2003

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**Introduction**

The Union of Concerned Scientists (UCS) offers the following written comments regarding the Department’s request for comments in the above referenced docket. UCS appreciates the opportunity to offer our comments on the procurement of Alternative Transitional Standard Offer (ATSO).

The Union of Concerned Scientists (“UCS”) is an independent nonprofit alliance of more than 100,000 concerned citizens and scientists working for practical environmental solutions. For more than three decades, UCS has combined rigorous analysis with committed advocacy to reduce the environmental impacts and risks of energy. UCS’ energy program focuses on encouraging the development of clean and renewable energy resources, such as solar, wind, geothermal and biomass energy, and on improving energy efficiency. Participating in the design and implementation of state renewable policies is one way UCS actively works toward these ends. UCS is interested in promoting the public interest, which is served by a reliable and efficient regional electricity market broadly defined.

UCS strongly endorses the promotion of green energy choices, particularly for residential and small commercial customers in a way that overcomes the existing barriers for green choice and promotes a robust and competitive market. We are encouraged by the Department’s actions on the matter of green choice by opening this proceeding. We present detailed responses to selected issues raised by the Department below.

## **Comments on Guiding Principles**

*Guiding Principle #4: Procurement should be conducted in a manner to cost-effectively promote price consistency and stability and minimize revenue requirements*

UCS agrees with this principle and suggests that, consistent with this principle, the Department ensure that the procurement process for ATSO bids takes advantage of the hedge value of renewable energy generation. Renewable energy technologies are not susceptible to movements in fossil fuel prices. As a result, the Department should encourage the development of ATSO green offerings that are available to consumers for medium to long-term periods.

*Guiding Principle #6: The procurement process should seek to maximize the likelihood of operational reliability and safety in the provision of Alternative TSO.*

While operational reliability and safety are laudable goals that UCS supports, there is little evidence that an increase in renewable energy generation will cause any problems with system reliability and safety. In fact, if the program is developed in a way that encourages the development of new renewable resources distributed throughout the state and region, it is likely to increase the operational reliability and safety of the system. UCS presents the following facts to support this conclusion:

- The electric system is designed to handle large unexpected swings in energy supply and demand, such as significant changes in consumer demand or even the failure of a large power plant or transmission line.
- Several important renewable energy sources, such as biomass and landfill gas systems can operate around the clock.
- Geographically dispersed wind projects will result in less variability in wind energy output.
- A widespread drop-off in energy output from multiple wind sites would be exceedingly rare.
- Wind energy forecasting, both near-term and long-term, have improved to the point that electric system operators will know in advance when to expect wind energy, so they can reliably operate their systems according to wind energy availability. The California ISO is planning to use such forecasting tools to operate its system.
- Renewable energy can increase the reliability of the overall system, by diversifying our resource base and using supplies that are not vulnerable to periodic shortages or other supply interruptions. Solar energy is also generally most plentiful when it is most needed-when air-conditioners are causing high electricity demand.
- There are several areas in Europe, including Spain, Germany, and Denmark, where wind power already supplies over 20% of the electricity with no adverse effects on the reliability of the system.
- A growing number of studies show that while wind is variable, the variability in wind output is not as sharp or as steep as some fear.
- One study comparing wind production data with power pool operating data showed that:
  - system operators can operate well within reliability standards set by the North American Electric Reliability Council (NERC), and
  - a one-to-one matching of wind generation with backup from another generator is not required.

- A study of a 42 MW wind project in Texas shows that 10-minute changes in wind energy output were less than plus/minus 10% of the overall wind capacity about 90% of the time.
- A German study of the regulation requirements (to keep the system within reliable margins) for a wind project for eight turbines is 4.5% of rated capacity but falls to 1% for 176 turbines.
- Similar findings have been reached in studies of wind projects in the US.

*Guiding Principle #7: The procurement process should allow bidders and the electric distribution companies the maximum flexibility practicable in structuring bids and in requesting bids in order to maximize the value each bidder offers.*

UCS agrees with the comment made by the Connecticut Clean Energy Fund that while flexibility is important in structuring bids, the goal should be to maximize the value to the ratepayer, not necessarily to the bidder. This should also be balanced against the need for a reasonable number of options from which the consumer can choose: offering too many options may lead to confusion and discourage consumers from selecting a green ATSO choice.

In addition, UCS believes that the types of renewable energy technologies that are eligible for ATSO products should be consistent with the eligible technologies in the Connecticut Renewable Portfolio Standard and the Green-e Standard for New England.<sup>1</sup>

### **Comments on Specific Questions**

*Procurement Procedures #9: What contract terms, including pricing and lengths and termination of the contract, should contracts between consumers and Alternative TSO electric suppliers contain?*

UCS agrees with the following comments from the Connecticut Office of Consumer Counsel (OCC):

- Customers should sign up for ATSO offers by directly contacting their electricity supplier (default or otherwise) or distribution company. Allowing customers to sign up by directly contacting their default electricity distributor, which has incumbent name recognition, would enhance the ease of participation and potentially increase participation rates.
- Integration of billing (provision of a single bill for distribution, TSO and alternative TSO service) should be required.
- Clear, uniform labeling and disclosure of renewable content, energy efficiency to be provided, and price and terms should be required of all offers

*Procurement Procedures #10: Is it preferable to establish procedures in which Alternative TSO bids are accepted separately by CL&P and UI for Alternative TSO contracts in their respective service territories, or is it preferable for the companies to conduct a joint bidding procedure?*

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<sup>1</sup> See [http://www.green-e.org/ipp/standard\\_for\\_marketters.html](http://www.green-e.org/ipp/standard_for_marketters.html).

UCS believes that all customers across the state should have the same choices regardless of which service territory they are in. A single bidding process will provide this uniformity and be more efficient in terms of economies of scale for marketing and administration. The bidding process should result in the selection multiple offers, ensuring sufficient competition. UCS generally agrees with the comments of Community Energy, Environment Northeast, the Connecticut Office of Consumer Counsel, and Sterling Planet.

*Alternative TSO Contract Terms #11: Should Alternative TSO electric service be supplied through the distribution company or by third party suppliers?*

In a state in which retail choice is the law, this program should be designed to be consistent with the goals of achieving a competitive retail market. Therefore, UCS supports the provision of ATSO choices through multiple third party suppliers rather than distribution companies. UCS supports allowing multiple third party providers to compete for customers, as this increases quality of offerings, enhances the market, increases participation, and keeps prices down.

While there should be at least one offering, it is possible that too many offerings could introduce sufficient confusion to undermine the benefits of a competitive model. Some limit on the number of offering may be necessary, depending on the number of qualified responses. Rather than proposing a specific limitation, UCS suggests requiring that all responses offered to consumers meet high quality standards.

Generally, UCS agrees with comments by Community Energy, Environment Northeast, Conservation Services Group, EAD Environmental, and Connecticut Office of Consumer Counsel.

*Alternative TSO Contract Terms #12. If Alternative TSO is supplied by a third party supplier, which of the following responsibilities should be performed by the third party supplier?*

- A. *Supplying green certificates but not delivery of green power itself*
- B. *Delivery of actual bulk green power*
- C. *All relevant retail responsibilities, including customer service in addition to the delivery of actual bulk green power*

UCS recommends that third party suppliers be responsible for supplying RECs and customer service associated only with the provision of RECs. UCS agrees with the recommendations of other commenters including Community Energy, Environment Northeast, EAD Environmental, and Sterling Planet as to the appropriate role for third party suppliers.

*Alternative TSO Contract Terms #13. Should Alternative TSO be offered or marketed through a "check-off" mechanism on customer bills?*

UCS believes that a check-off program is a helpful mechanism to pursue the type of program being considered here. The most important aspects of implementing a check-off approach are ensuring the ballot is clear to customers and confusion about offerings is avoided. UCS recommends that prior to launching such as effort, the Connecticut market participants and regulators take into account the experience of other states. In addition to a check-off ballot, it

would also be preferable to introduce green choice in a way that does not rely exclusively on a static ballot.

For instance, the program could include repeated bill-stuffers with links to web sites and direct mailings with more comprehensive info. Bill stuffer ballots are important, but they are perhaps secondary to (a) collecting payment through the customers' regular electric bill (which makes it easy for customers, brings credibility, and lowers transaction costs for suppliers) and (b) a comprehensive market education and outreach *ahead* of the ballot.

Generally, UCS agrees with the comments made on this question by Community Energy, Environment Northeast, Conservation Services Group, EAD Environmental, the Connecticut Clean Energy Fund, and Sterling Planet.

*Alternative TSO Contract Terms #14. Should customers have the option to purchase Alternative TSO electric service in incremental units (e.g., 10%, 20%, etc. renewable energy), or should Alternative TSO be offered only as a 100% "green" product? If the incremental option is chosen, describe the major procedures that must be instituted for the distribution companies to bill for this service.*

UCS supports the establishment of a minimum level of both overall renewable content and, within that, new renewable content through the Alternative TSO offer. UCS believes Alternative TSO offers should conform to the Green-e standard for overall renewable content (no less than 50 percent) and new renewable content (no less than 15 percent in 2004, 20 percent in 2005, and 25 percent in 2006). In this case, the definition of what constitutes "new" renewable generation could either be based on Green-e (placed in operation on or after January 1, 1997) or on the definition of Class I resource in the Connecticut Renewable Portfolio Standard.

While we believe that the answer to this question is best answered by those dealing with consumers and product design, UCS also believes that there should be a reasonable balance between providing consumers with a limited number of options and allowing infinite flexibility that is sure to lead to consumer confusion. In addition, UCS encourages the development of products that provide 100 percent of consumers' electricity usage and the inclusion of high levels of new renewable energy generation.

*Alternative TSO Contract Terms #15. Should Alternative TSO suppliers be identified by the name of the supplier in addition to the "green" attributes of the Alternative TSO product on the distribution companies' billing documents? Or should Alternative TSO products be described generically only in terms of their "green" attributes (i.e., not "branded" in any manner)?*

UCS recommends that the suppliers be identified by name to the consumers. The branding of green products and association with specific suppliers allows the building of customer base, an important factor in a competitive market for small customers that may lead to savings. Suppliers that achieve name recognition with consumers are likely to make greater investments in the market, have greater staying power in the market, and be part of a smoother transition to competitive "delivered" electricity offerings.

UCS generally supports the comments of Community Energy, Environment Northeast, Conservation Services Group, Dominion Retail; EAD Environmental; Clean Energy Fund; and Sterling Planet on this question.

*Alternative TSO Contract Terms #16. Is the GIS (Generation Information System) procedure that the Department contemplates in its draft Renewable Portfolio Standards a sufficient vehicle to verify the "green" content of Alternative TSO electricity?*

UCS directs the DPUC to our comments submitted under Docket 02-04-14 on the matter of the applicability of the GIS to consumer disclosure. In those comments, UCS strongly encouraged the use of the GIS as the sole basis for verification for any RPS-eligible generation in New England or whose energy is imported to New England and the sole basis for determining disclosure label fuel source and emission characteristics. UCS believes that it is important for the DPUC to consider the importance of the GIS as an essential tool for tracking RECs used to deliver renewable attributes associated the ATSO offers.

To the extent that attributes from renewable generation outside of New England are allowed to be included in ATSO products, UCS recommends that the DPUC ensure that the double counting of renewable attributes associated with ATSO offerings is avoided. The DPUC should develop standards for adequately tracking imported attributes. Most importantly, such standards should contain a reasonable requirement that generation be delivered to the New England Power Pool, or that the exporting area where the generator is located has a comparable tracking system to the GIS.

UCS agrees with the recommendation of Community Energy and Sterling Planet to allow annual settlement of RECs acquired by ATSO suppliers. However, annual settlement should only be allowed to the extent that it can be implemented consistently with existing NEPOOL GIS rules.

UCS also agrees with Conservation Services Group that the DPUC should require that separate NE-GIS sub-accounts be established for each Alternative TSO offering and require that the certificate portfolio in that subaccount meet or exceed the attribute claims of the offering.

*Alternative TSO Contract Terms #17. For each of the following renewable energy options offered in other states and/or service territories, comment on its favorable or unfavorable aspects, including whether it would comply with P.A. 03/135 §4(d).*

*A. Niagara Mohawk Renewable Energy program (refer to the Niagara Mohawk website and New York Public Service Commission Case 01-M-0075).*

*B. Washington State green power pricing product. (refer to Washington Utilities and Transportation Commission website, wutc.wa.gov.)*

*C. Oregon renewable energy options. (refer to Oregon Public Utility Commission website, www.puc.state.or.us, or the Portland General Electric and Pacific Power websites.)*

*D. Provide examples of favorable and unfavorable aspects of renewable energy options for electric customers in other states.*

In a competitive choice market, the Oregon and Washington approaches are inappropriate and anti-competitive. Because Connecticut has restructured its retail market, the ATSO program

should be designed to be consistent with a competitive market structure. Both the Oregon and Niagara Mohawk (NiMo) programs allow multiple products to compete, and we believe that competition provides certain benefits to consumers.

The attached Appendix C from a report to the California Energy Commission highlights the benefits of providing a program of competitive green power offerings made available by and through the utility, through the provision of RECs to utility customers, that are invoiced through the utility bill. The key recommendations include:

1. Benefits of competition can be captured in the absence of retail electricity competition, including:
  - a. Differentiation from standard utility supply is more likely in a competitive environment than under a single green pricing choice offered only by the distribution utility;
  - b. Competitive pressure tends to improve the value for a given price;
  - c. Competitive positioning increases customer awareness and increases credibility of a new product offering;
  - d. Product differentiation will offer a portfolio of products appealing to a wider array of customers than a single offering;
2. The administrative ease of RECs is meshed with the credibility of a utility green pricing program with the potential for vastly superior market penetration (and lower customer acquisition and retention costs) compared to traditional RECs products sold independently of the distribution utility;
3. Such an option can serve as either a smooth transition to the possible future evolution of a competitive direct access market, or as a substitute means for effectively developing a green power market in the absence of a successful direct access market for small customers.
4. This option does not require switching electric suppliers, eliminating the burden of educating customers that their reliability will not be compromised if they switch suppliers.

Both Oregon and NiMo programs have good features. Due to the competitive market structure in Connecticut, and the need to maximize the benefits of regional consistency with similar programs in New York, Massachusetts, and Rhode Island, an improved-upon NiMo model, with multiple providers, provides the best chance of success. However, Connecticut should learn from experience and seek to implement best practices to improve upon the shortcomings of NiMo model.