

End Use Customers' Perspective on IMAPP



PowerOptions

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NEPOOL Meeting, August 30, 2016

Unique Perspective

- Provide guiding principles and observations of a group of end users: PowerOptions, Associated Industries of Massachusetts (AIM), The Energy Consortium (TEC) (all long-standing NEPOOL members)
- Together we represent most of the electricity consumption of C&I customers in Massachusetts
- PO is in the energy market daily, providing price quotes, including wholesale products, to its 500 members – not a one-size-fits-all program (do not take title to commodity)
- Unique perspective on the intersection of wholesale and retail markets
- Different perspective than suppliers – suppliers care about recovering costs – we care about reducing and managing costs

Perspective on IMAPP

- Support incorporating carbon reduction goals into wholesale market structure
 - Rather than trying to force incompatible state policy puzzle pieces into the market
- Preferable to state-mandated actions, which:
 - Will probably result in protracted and costly litigation
 - Will likely be more expensive than a regional market approach
 - Can contribute to cross-subsidies among states

Guiding Principle #1: Evaluate Impact on Retail Competition

- Robust wholesale market is necessary for efficient retail market – scope of review during IMAPP process must include evaluation on retail competition
 - When considering impact on load serving entities (LSEs), remember many are not utilities
 - Non-utility LSEs have less flexibility in passing on costs – hard to reflect in pricing leading to premiums
- Predictability and certainty of costs is critical
- Costs must be transparent – easily seen in retail pricing
- Important to keep suppliers on a level playing field with utility-supplied service
- Refund mechanisms are fundamentally flawed
 - Create intergenerational inequities (i.e. customers who contribute to refund pool may not be the ones receiving refunds, and vice versa)
 - Administratively burdensome

Guiding Principle #2: Based on Region-Wide Emissions Goals

- Design market integration strategy based upon agreed-upon regional emission targets from electricity sector
- Do not have to fully satisfy each state's desired level of reductions
- The rest of each state's goals should come from other sources, e.g. transportation policy

Guiding Principle #3: Market Approach Should Replace State Policies

- A regional market approach can accomplish all or a subset of state goals
- To the extent goals are met regionally, state policies should be backed down, repealed or refocused on other sources
- Regional approach achieves least-cost approach to clean energy procurement by incorporating:
 - competition,
 - reliability,
 - operating efficiency,
 - and avoiding cross-subsidization among states, e.g. price suppression effect of single-state ratepayer subsidized projects benefit all consumers in region at expense of that state's consumers

Guiding Principle #4: Eliminate Future Need for Long-Term Contracts

- Long-term contracts for renewables and other generation hinder price formation
- An efficient market should place all sources of generation on the same level of competition



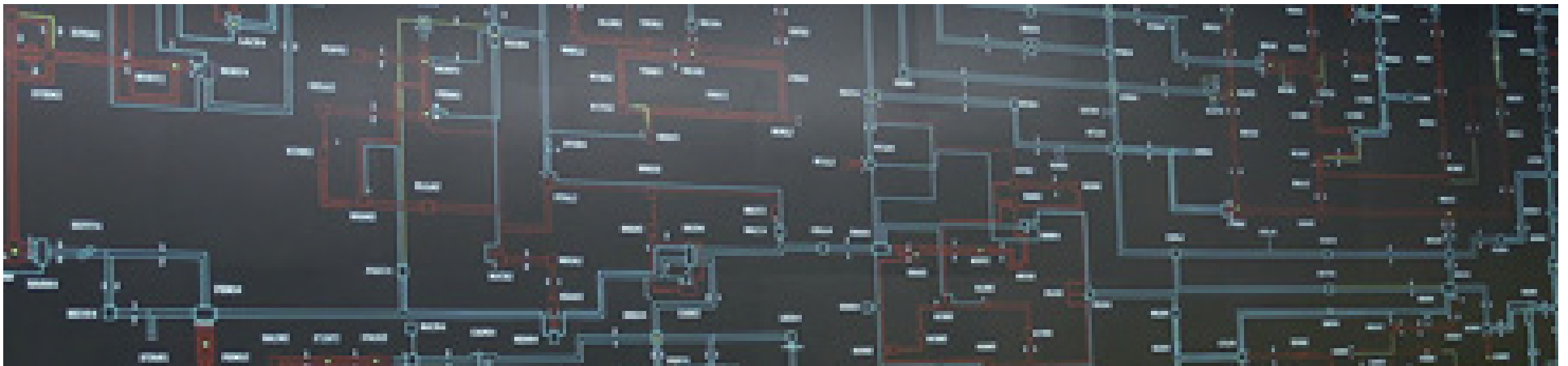
Guiding Principle #5: Avoid Cost of Service Subsidies

- Any proposal must be market-based
- Subsidies are discriminatory and anti-competitive
- Reliability Must Run (RMR) era proves those types of contracts are cumbersome, unfair stopgaps that are ineffective in the long-term



Ongoing Role

- Look forward to working with other sectors to design integration approach consistent with these principles
- Welcome opportunity for input to provide unique perspective
- Intend to work with others in sector to broaden support





Questions?