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FERC Sides with Consumer-Owned Utilities in Rejecting Fuel Security Proposal

(Ludlow, MA) -- November 4, 2020 -- In a victory for New England consumers, the Federal Energy Regulatory Commission (FERC) late Friday sided with three consumer-owned utility organizations--Massachusetts Municipal Wholesale Electric Company (MMWEC), New Hampshire Electric Cooperative (NHEC), and the Connecticut Municipal Electric Energy Cooperative (CMEEC) -- in rejecting ISO New England's (ISO-NE) costly Energy Security Improvements (ESI) proposal.

ESI is the plan developed by ISO-NE, the regional transmission organization charged with ensuring the reliable operation of the electric grid, to address fuel security concerns in the region. It is aimed at addressing an over-reliance on "just-in-time" delivery of fuel in New England, especially during extended cold weather, when resources are scarce.

Under ESI, New England electric customers would have paid the region's generators up to an additional \$257 million dollars a year, based on the hope that doing so would encourage them to procure fuel supplies under tight operating conditions. The non-profit consumer-owned utilities (MMWEC, CMEEC and NHEC, arguing as "Public Systems") argued that the ESI proposal did not allow sufficient time for the generators to purchase fuel supplies. Worse, the organizations pointed out that the proposal was voluntary—meaning that generators could choose not to participate in providing fuel security when the system needed them the most.

FERC agreed with the concerns and rejected the proposal outright. The federal agency found that ISO-NE's proposal failed to "strike an appropriate balance between addressing fuel security in New England while protecting consumers from the significant cost of those fuel security benefits."

The three organizations argued that New England's fuel security concerns could be addressed by adopting a seasonal forward market—which would allow for longer-range planning and fuel procurement.

MMWEC Chief Executive Officer Ronald C. DeCurzio said he is pleased by the Commission's Order.

"This is a win for New England electric consumers," DeCurzio said. "There are other more sensible and consumer-protective ways to address regional fuel security. Now that ESI has been rejected, we look forward to working with ISO on a better mechanism."

Robin Kipnis, CMEEC's General Counsel, applauded FERC's finding that the ESI proposal was "unjust and unreasonable."

"Connecticut ratepayers and all of New England's ratepayers now have a reprieve from paying substantial additional costs without any real assurance of increased reliability in the coldest of months," Kipnis said.

Brian Callnan, NHEC's Vice President of Power Resources and Access, also applauded the Order.

"FERC's ruling on ESI is a welcome development for the region, and NHEC ratepayers appreciate the opportunity to have their voices heard during this important deliberation," Callnan said.

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