
Memorandum

To: PAC, NETOs

FROM: JASON FROST, CHELSEA MATTIODA, JACKIE LITYNSKI, PATRICIO SILVA; SYNAPSE ENERGY ECONOMICS

DATE: SEPTEMBER 15, 2023

RE: COMMENTS BY SYNAPSE ON DRAFT GUIDELINES FOR CREATION OF ASSET CONDITION PROJECT PRESENTATIONS

Synapse believes the introduction of guidelines for Asset Condition Project Presentations is an important step toward increased transparency for asset condition projects, which historically have received less scrutiny than other transmission projects and which are driving a dramatic increase in spending on transmission. We strongly support NESCOE's requests made in its July 14, 2023, letter to the NETOs and appreciate NESCOE's efforts to advance discussions at the PAC regarding improvements to the asset condition review process.¹

In response to NESCOE's requests, the NETOs introduced the Draft Guidelines for Asset Condition Project Presentations² (Draft Guidelines) at the August Planning Advisory Committee meeting and posted them for review and comment on August 17th. Synapse appreciates the NETOs' efforts developing the Draft Guidelines and the opportunity to submit feedback on them. These comments identify opportunities to improve the current Draft Guidelines for these presentations to further increase transparency and fill current gaps in available information. We offer ideas for some specific process improvements that NESCOE has requested and that the NETOs have proposed in response.

Synapse represents consumer advocates and consumers throughout New England in the NEPOOL stakeholder process to ensure ratepayers receive reliable and affordable energy as we transition to a clean and sustainable grid.³ These comments reflect Synapse's views, and not necessarily the views of any Synapse client.

¹ New England States Committee on Electricity. July 14, 2023. Available at: https://www.iso-ne.com/static-assets/documents/2023/07/2023_07_17_nescoc_asset_condition_request_netos.pdf.

² See https://www.iso-ne.com/static-assets/documents/2023/08/2023_08_16_pac_tos_asset_condition_guidelines_draft.pdf (Draft Guidelines for Creation of Asset Condition Project Presentations submitted to ISO-NE on August 16, 2023).

³ Synapse also represents the Vermont Energy Investment Corporation (VEIC) in the Alternative Resources sector.

We want to highlight opportunities to expand the current Draft Guidelines in the following areas:

1. More information about cost mitigation measures: Presentations should include more information on what cost mitigation measures transmission owners employ when implementing asset condition projects. This would include identifying what transmission owners do to select low-cost projects from the outset of a project and what steps they take to prevent cost overruns once a project is underway.
2. Clearer documentation of asset condition issues and expected asset useful life: The Current Guidelines include a section on project drivers, but that section should include additional evidence of asset condition problems. Transmission owners should explain what exactly is wrong with the asset, when the deteriorated condition was first identified, and how the condition was identified and verified. For example, where an asset is experiencing physical deterioration, the transmission owner should identify what functions are being affected, to what level they are affected, clear and up-close photographic evidence, and documentation that demonstrates why an asset requires work on the timeline proposed by the transmission owner. In addition, the Project Background section of asset condition project presentations described in the Draft Guidelines should include the expected useful life of the asset in question upon installation. The Draft Guidelines currently discuss the inclusion of the asset age and installation year in this section.
3. The addition of clear timelines and guidelines for Planning Advisory Committee review and feedback and NETO response: We request that transmission owners include in the Draft Guidelines a timeline for bringing asset condition projects before the Planning Advisory Committee that leaves a minimum of six months between the presentation and the expected start of project construction. The Draft Guidelines should also include a clear timeline for transmission owners to respond to stakeholder feedback, ideally such that stakeholders receive responses from transmission owners within fifteen days of the deadline for stakeholder feedback submissions. If a transmission owner's presentation only includes an order of magnitude project cost estimate, the transmission owner should provide a second presentation with more specific cost information to follow up. The Draft Guidelines should also include a follow-up, second presentation on asset condition projects when requested by stakeholders so that the PAC can discuss the project after receiving answers to written questions and feedback. These requirements will ensure that stakeholders receive responses in a timely manner and that they have the opportunity to follow up on important issues. These requirements will also ensure that transmission owners have the runway to incorporate that feedback as they implement their projects.
4. The addition of a memo providing context about the project for projects exceeding \$50M: Asset condition projects that exceed \$50 million in costs should be required to submit a detailed memorandum in tandem with their presentations to the Planning

Advisory Committee. These memoranda should include detailed information on alternative plans considered by the transmission owner, with cost estimates and other relevant details, similar to Eversource's Memorandum Response to NESCOE's July 7, 2023, Letter Regarding the 1704/1722 Underground Cable Replacement Project.⁴

We would additionally like to urge the NETOs to commit to adopting two additional reforms: the creation of a Major PTF - Asset Condition database and an Asset Condition Needs and Solutions Guidance Document as called for by NESCOE in its July 14, 2023, letter.⁵ These reforms will provide a more transparent and consistent planning process for Asset Condition projects and create greater opportunity for feedback on these projects. The NETOs did not commit to these reforms as of their August 8, 2023, response to NESCOE's July letter.⁶ The NETOs should make the database publicly available and update it on a regular basis alongside the asset condition and RSP project lists. As NESCOE noted in its July letter, these improvements and the information they would make available are prerequisites for developing a process to right-size projects. We request that the NETOs complete these process improvements before engaging in additional conversations about right-sizing asset condition projects.

Finally, Synapse thinks that additional transparency around cost-estimate accuracy would be helpful for stakeholders. We believe it would be valuable to have an annual review of the forecasted and actual costs of asset condition projects completed each year, and ask that the NETOs consider including such a presentation to the PAC.

Synapse hopes that the improved transparency from the items described in this memo can help stakeholders better understand the asset condition projects that are being built and charged to ratepayers around New England. We have concerns about the current asset condition project planning process and regulatory oversight structure, as excessive or unnecessary asset condition expenditures could significantly increase consumer costs. We hope that a greater level of transparency about existing asset conditions and the drivers of asset condition projects can help improve the types of projects that are selected and built to ensure that ratepayer funds are used as cost-effectively as possible. We look forward to working with the NETOs, NESCOE, and other stakeholders to achieve this goal.

⁴ https://www.iso-ne.com/static-assets/documents/2023/08/a05_2023_08_16_pac_17041722_hpff_letter_to_nescoe.pdf (Eversource Memorandum Response to NESCOE's July 7, 2023, Letter Regarding the 1704/1722 Underground Cable Replacement Project).

⁵ See <https://nescoe.com/resource-center/asset-condition-process-improvements-next-steps/> (NESCOE July 14, 2023 letter).

⁶ See https://www.iso-ne.com/static-assets/documents/2023/08/2023_08_16_netto_letter_to_nescoe_asset_condition_process_updates.pdf (NETOs August 8, 2023 letter)