

DE 01-126

GRANITE STATE ELECTRIC COMPANY

Summer 2001 Load Response Program

Order Approving Load Response Program

O R D E R N O. 23,747

July 26, 2001

On June 13, 2001 Granite State Electric Company (Granite State or the Company), submitted a proposal to offer customers the opportunity to participate in a Load Response Program based on the Independent System Operator-New England (ISO-NE) program. The New England Power Pool (NEPOOL) received Federal Energy Regulatory Commission (FERC) approval for two Load Response Programs on May 18, 2001. The two programs are a Demand Response Program and a Price Response Program available to users who are able to interrupt between 100 kilowatts to 5,000 kilowatts of demand at a time.

The Demand Response Program requires a mandatory reduction in power use to predetermined levels within 30 minutes of being directed to do so by ISO-NE. The enrolling NEPOOL Participants in this program receive the ten-minute operating reserve price for the amount of load the enrolled customers make available for interruption and the energy-clearing price for the energy the enrolled customers actually interrupt.

The Price Response Program gives the customer the option of reducing its energy use for a certain period when notified by ISO-NE. ISO-NE triggers the Price Response Program when the energy-clearing price is forecast to be equal to or greater than \$100 per MWh. The NEPOOL Participant who enrolled the customer receives the energy-clearing price for the actual energy interrupted. The NEPOOL Participant, who enrolled the customer, negotiates with the customer the level of incentive payment the customer will receive for interruption.

Granite State proposes to extend both of the programs to their approximate 195 eligible customers and pass through 100 percent of the programs= compensation to the enrolled customer. The Company anticipates direct administrative costs from RETx.com (Retail Energy Transaction Exchange) an e-business service provider, hired by ISO-NE to manage the Load Response Programs, of \$15,000 for a software licensing fee, to be shared by all three of US Grid's distribution companies, Granite State, Massachusetts Electric Company, and Narragansett Electric Company. In addition, Granite State will incur the cost of installing pulse interface devices for participating customers, program-marketing costs, and on-going administrative costs associated with managing the program. Retx.com also charges a \$3,000 per month meter fee for the first 30 customers plus \$100

for each additional customer. Granite State plans to charge this fee directly to the enrolled customer, but will share the cost with the other National Grid distribution companies if less than 30 customers are enrolled. The Company proposes to include these costs in its Transmission Service Cost Adjustment Reconciliation filing. Finally, the Company has proposed a term for the customer agreement from the execution date of the agreement through May 31, 2002.

The Commission has reviewed the Company's petition along with Staff's recommendation which included copies of GSEC's proposed contracts. The Commission finds Granite State's participation in load response programs to reduce the system peak to be in the public interest. The programs are designed to increase grid reliability and reduce market prices during peak periods in New England thus benefitting all New England customers. For this reason we will allow the Company to pass the programs' administrative costs, as detailed above, through Granite State's Transmission rate. Since the Transmission Service Cost Adjustment mechanism results in an adjustment factor that is uniformly applicable to all customers we believe this is the most reasonable method of cost recovery.

Based upon the foregoing, it is hereby

ORDERED, that the Commission approves the proposed load response programs; and it is

FURTHER ORDERED, that the Petitioner shall file a compliance tariff with the Commission on or before August 10, 2001, in accordance with N.H. Admin. Rules, Puc 1603.02(b).

By order of the Public Utilities Commission of New Hampshire this twenty-sixth day of July, 2001.

Douglas L. Patch
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Thomas B. Getz
Executive Director and Secretary