

**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**IR 22-053**

**ELECTRIC AND NATURAL GAS UTILITIES**

**Investigation of Energy Commodity Procurement  
(Renewable Portfolio Standard, Default Service Electric Power, Cost of Gas)  
Methodology and Process**

**NEXTERA ENERGY MARKETING, LLC'S PETITION FOR LIMITED**

**INTERVENTION**

NOW COMES NextEra Energy Marketing, LLC (“NEM”), and, pursuant to RSA 541-A:32 and N.H. Admin. R. Puc 203.17, respectfully petitions the New Hampshire Public Utilities Commission (“Commission”) for limited intervention as a party in the above-captioned proceeding for the purposes of sole purpose of submitting comments in response to the Commission’s February 8, 2023 Procedural Order. In support of this petition, NEM states as follows:

1. On September 6, 2022, the Commission issued an Order of Notice opening an investigatory proceeding to examine the Renewable Portfolio Standard, Default Service, and Cost of Gas procurements in New Hampshire and related processes. In that Order of Notice the Commission indicated that the purpose of the proceeding was to engage stakeholders in a collaborative process that was free of certain procedural constraints. The Commission further indicated that the results of the proceeding could take the form of non-binding guidance, procedural or operational changes by the Commission, a decision to initiate other dockets, a report to the Legislature, or some combination of these options. The Order of Notice required all electric and gas utilities to participate and encouraged other stakeholders to do the same. It

further stated that any entity or individual may petition to intervene and established deadlines for such petitions.

2. NEM is a competitive electricity supplier registered with the Commission to serve commercial customers. NEM participates in procurements in New Hampshire. NEM is one of the nation's leading electricity and natural gas marketers, and a key player in energy markets in the United States and Canada. NEM is responsible for electricity and fuel management for all of NextEra Energy Resources' generation fleet, which includes the largest renewable energy portfolio in North America. NEM provides a wide range of electricity and gas commodity products as well as marketing and trading services to electric and gas utilities, municipalities, cooperatives, and other load-serving entities, as well as to owners of electric generation facilities.

3. By this Petition, NEM is seeking limited intervention in the instant proceeding for the purpose of providing responses to the record requests which the Commission issued on February 8, 2023. NEM recognizes that this petition is being submitted after the deadline established for this proceeding, but submits that it has information and access to resources that may be of help to the Commission, and that its participation by submission of responses to record requests will not negatively affect the rights or privileges of any of the utilities or other parties. NEM is not asking the Commission to change any in any way the existing deadlines and the process for this proceeding.

4. The statutory standards for intervention, set forth in RSA 541-A:32, I and II, provide that a petition for intervention *must* be granted if the petitioner states facts demonstrating how its rights, duties, privileges, immunities or other substantial interests may be affected by the proceeding (or the petitioner qualifies under any provision of law) and the

interests of justice and orderly and prompt conduct of the proceedings would not be impaired by allowing intervention. *See* RSA 541-A:32, I(b) and (c). In addition, the Commission has the authority to grant a petition to intervene “at any time, upon determining that such intervention would be in the interests of justice and would not impair the orderly conduct of the proceedings.” [Emphasis added] RSA 541-A:32, II. *See also* N.H. Admin. R. Puc 203.17 (requiring the Commission to grant one or more petitions to intervene in accordance with the standards of RSA 541-A:32).

5. NEM submits that it qualifies for limited intervention under the mandatory provisions of RSA 541-A: 32, I because it has substantial interests that will be affected by the proceeding given the focus of this proceeding and the nature of NEM’s business. As a supplier in the highly competitive New Hampshire retail electricity market, NEM competes with other suppliers and the local distribution companies for a limited customer base on a variety of factors.

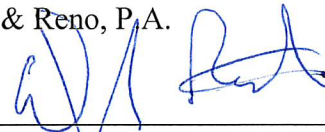
6. NEM also qualifies for limited intervention under the discretionary standard articulated in RSA 541-A:32, II. The interests of justice and orderly conduct of the proceedings would be promoted by granting NEM limited intervention at this stage of the proceeding. Given its participation in New Hampshire’s competitive electricity market, NEM has extensive knowledge and expertise regarding the electricity industries and the issues to be addressed in this docket. NEM submits that the Commission and the other parties will benefit from NEM’s limited participation in this docket, which is an investigatory, not an adjudicatory, proceeding.

7. NEM will not impair the orderly conduct of this proceeding. If allowed to intervene for the sole purpose of submitting comments, NEM will abide by the Commission’s rules and comply and not impact the procedural schedule in this docket.

WHEREFORE, NextEra Energy Marketing, LLC respectfully requests that the Commission grant it limited party status as an intervenor in this proceeding for the sole purpose of filing comments in response to the Commission's February 8, 2023 Procedural Order, and that it grant such other relief as the Commission deems just and equitable.

Respectfully submitted,

NextEra Energy Marketing, LLC  
By Their Attorneys  
Orr & Reno, P.A.



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Douglas L. Patch, NH Bar #1977  
Orr & Reno, P.A.  
45 South Main St.  
Concord, NH 03302-3550  
(603) 223-9161  
[dpatch@orr-reno.com](mailto:dpatch@orr-reno.com)

Dated: February 17, 2023

**Certificate of Service**

I hereby certify that a copy of the foregoing Petition has on this 17th day of February, 2023 been sent by email to the service list in IR 22-053.



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Douglas L. Patch

#4208418



**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**IR 22-053**

**ELECTRIC AND GAS UTILITIES**

**Investigation of Energy Commodity Procurement  
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**Responses to Commission Record Requests of NextEra Energy Marketing, LLC**

**Introduction**

On February 8, 2023, the Commission requested responses to certain record requests on the electric procurement process. In particular the Commission asked, in Section II Electric Procurement Process, that all participants respond with regard to Laddering and Tranches. NextEra Energy Marketing, LLC (“NEM”) respectfully submits these responses and explanations information, and applauds the Commission’s commitment to exploring opportunities as part of this docket to mitigate default service rate increases on customers and increase supplier participation. Specifically, NEM requests that the Commission focus its efforts on (1) reducing the risk premiums paid by all default service customers and (2) stabilizing procurements through mid to long-term strategies that are alternatives to risky practices such as self supply. Such focus is likely to be the most effective way to reduce and/or mitigate increases in default service rates and improve wholesale supplier participation. To effectuate these two areas of focus, we suggest that the Commission consider the following:

- 1) Creating a pass-through structure for certain products that fail to promote efficient financial hedging such as the Mystic Cost of Service Agreement (“Mystic”) and the ISO New England, Inc.’s (“ISO-NE”) Inventoried Energy Program (“IEP”). Customers pay higher premiums for these types of products as they are charged for what could happen as opposed to what does happen.<sup>1</sup>
- 2) Implementing long term procurements of fixed volume financial blocks of power, layered into overtime, to reduce extreme volatility caused by short term market events and increase

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<sup>1</sup> The NEM proposal would result in a pass-through to default service customers in their rates. Although retail suppliers are not the direct subject of this docket, having the Mystic charges as a pass-through to all end users would also work for the non-default, competitive retail customers. Again, those customers would pay solely for actual Mystic charges and not possible Mystic charges.

wholesale supplier participation. Fixed volume financial blocks of power could then be converted into basic service utilizing the existing procurement processes.

In addition, NEM provides the following responses and further explanations below in response to the specific requests issued by the Commission.

**RR 3: Please comment on whether utilities should be provided flexibility to determine at any time, with proper notice to the Commission, a switch from laddering to full requirement (and vice-versa) based on future price trends to lower energy service costs for ratepayers. Participants are welcome to offer recommendations based on hypothetical scenarios.**

There are potential negative impacts from exposing default service customers in New Hampshire to the directional calls that are suggested by the Commission in this request. It is not clear if the Commission is really intending to ask about self-supply in its reference to laddering. To the extent it is suggesting self-supply or a form of self-supply, any attempts to “time the market” could have material impacts to the rates paid by consumers. In addition, multiple undesirable settlements of self-supply contracts can occur, such as a weather event coupled with high Mystic charges. These undesirable situations will require large recoveries from customers and at times enormous amounts of credit capacity from distribution companies. Credit impact to distribution companies could cause suppliers to consider the possibility of distribution companies becoming temporarily insolvent during a given service term. Before implementing any changes, NEM suggests that the Commission analyze the financial risks being taken on by moving forward with self supply. For example, a technical conference could be convened to gather additional information to help analyze the financial risks associated with self-supply.

More broadly, solicitations results are a function of structure and driven by the risks experienced due to market fundamentals in the region and on a global scale. First, the risks of supplying wholesale full requirements service in New England have grown exponentially. The main drivers are the wholesale electricity market’s reliance on natural gas fired generation and just-in-time fuel supplies as well as its reliance on Liquefied Natural Gas (“LNG”) terminals and deliveries by tanker vessels, both well documented by ISO-NE. Commodity prices increased in 2022 due to the Russian invasion of Ukraine.<sup>2</sup> As prices rose, liquidity was reduced given the credit support required to underwrite these market conditions. An extreme example of this is Uniper.<sup>3</sup> This situation magnified the structural issues already present in ISO-NE and highlighted extreme risks in the wholesale power market.

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<sup>2</sup> [https://www.iso-ne.com/static-assets/documents/2022/11/a04a\\_mc\\_2022\\_11\\_8-10\\_iep\\_parameter\\_updates\\_analysis\\_group\\_presentation.pdf](https://www.iso-ne.com/static-assets/documents/2022/11/a04a_mc_2022_11_8-10_iep_parameter_updates_analysis_group_presentation.pdf)

<sup>3</sup> Uniper is a German utility who was impacted by the extreme pricing in the natural gas market causing it to seek more credit support for its operations, including commodity trading. Ultimately Uniper was nationalized by the German government. <https://www.reuters.com/business/energy/uniper-secures-11-bln-credit-lines-address-energy-marketvolatility-2022-01-04/> and <https://www.ft.com/content/9288daba-8441-4c27-9982-ab6ffee7a5ec>



ISO-NE is rightfully focused on reliability so that events like those experienced in Texas during Winter Storm Uri in February 2021 do not occur in New England.<sup>4</sup> As such, ISO-NE continues to administer Mystic to improve generation capacity. In addition, ISO-NE continues to improve winter coverage through the upcoming IEP.<sup>5</sup> The IEP seeks to improve reliability by compensating generators to store fuel (*i.e.*, inventory) onsite at a rate commensurate with natural gas. The crux of both actions is that they are linked to LNG, which was, and continues to be affected by the Russian war in Ukraine. These types of actions along with commodity price volatility caused risk premiums to balloon, driving fixed prices to all-time highs.

NEM communicated the high-risk premiums required for Mystic and IEP to all standard service procurement managers as well as senior leadership in ISO-NE.<sup>6</sup> In summary, the risk premiums are driven by LNG prices and therefore extremely volatile. Mystic charges on the system have already exceeded \$170MM from June 2202 through December 2022.<sup>7</sup> As a result of concerns expressed on this by NEM and by others, Maine and Rhode Island made the charges a pass through to their constituents via changes in procurement practices.<sup>8</sup> The customers of Maine and Rhode Island will only pay for what happened with Mystic as opposed to what could have happened – saving basic service customers money on their bills. Similar logic would apply for IEP as the program’s cost is a function of LNG prices.

Last, estimating capacity, fuel security programs, ancillaries and other costs is difficult to do when considering “the most likely scenario” and becomes exponentially more difficult to predict when having to consider the risk appetite of credit worthy counterparties. Attempting to produce these estimates and make a market timing decision would introduce material risk for customers. After assessing market conditions, participants base decisions on individual risk tolerance and assumptions for the upcoming pricing term. Further, the “historical premium” benchmark solicitation companies are using ignores material differences in the relevant costs during the past and present procurements. As we have seen this past year, significant shifts in market risks can be attributed to global geopolitics and migration risk, and ISO-NE and/or other regulatory changes. Forecasting market conditions or trends is not only difficult but varies greatly among current market participants.

Rather than moving towards a risky self-supply solution, the Commission should create a pass-through structure for certain products designed to prohibit inefficient financial hedging such as

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<sup>4</sup> [https://www.iso-ne.com/static-assets/documents/2022/07/a09\\_mc\\_2022\\_07\\_12-14\\_winter\\_2022\\_2023\\_presentation.pptx](https://www.iso-ne.com/static-assets/documents/2022/07/a09_mc_2022_07_12-14_winter_2022_2023_presentation.pptx) and <https://www.iso-ne.com/committees/key-projects/operational-impacts-of-extreme-weather-events>

<sup>5</sup> [https://www.iso-ne.com/static-assets/documents/2023/02/a05a\\_mc\\_2023\\_02\\_07-09\\_iep\\_updates.pptx](https://www.iso-ne.com/static-assets/documents/2023/02/a05a_mc_2023_02_07-09_iep_updates.pptx)

<sup>6</sup> ISO-NE Joint Information Request Relating to the Mystic Cost-of-Service Agreement September 29, 2022

<sup>7</sup> <https://www.iso-ne.com/markets-operations/settlements/understand-bill/item-descriptions/mystic-cost-of-service-cos-charge>

<sup>8</sup> ME Docket 2022-00091 - <https://www.maine.gov/mpuc/regulated-utilities/electricity/standard-offer-rates/cmp#:~:text=For%20residential%20and%20small%20non,kWh%20effective%20January%201%2C%202023.>

and the draft confirmation documentation on [https://www9.nationalgridus.com/energysupply/current\\_procurement.asp](https://www9.nationalgridus.com/energysupply/current_procurement.asp)

that associated with Mystic and IEP. Customers end up paying higher rates for these products as suppliers charge premiums for a range of scenarios, depending on their risk tolerance, that may or may not occur. Customers are charged premiums to account for various risk scenarios included in the valuation. Creating a pass-through structure would mitigate against the premiums being used and paid for by customers.

**RR 4: Are there ways to approach tranches (e.g., number of procurement periods, percentage of load per tranche, number of tranches etc.) differently so that the default service procurement produces more competitive prices? Please provide detailed recommendations as appropriate.**

The Commission should consider implementing longer term fixed volume procurements of power for the dual purpose of reducing short term price volatility and increasing wholesale supplier participation. In addition, it is not clear if the Commission is intending to ask about self-supply in RR3, however to the extent self-supply or a form of self-supply, is an option for the Commission, NEM provides an alternative in fixed volume block procurements to the commission. New Hampshire's full requirements procurement schedule may reflect short term price impacts like those experienced in the past 12-18 months. Implementing a longer-term strategy, limited to fixed volume financial blocks, would reduce the risk of those implications without adding material amounts of premium charges to customers. Fixed volume financial block purchases can be layered into over-time, to reduce extreme volatility caused by short term market events all while not exposing customers to risk premiums associated with full requirements default service as discussed in RR3. Fixed volume blocks could then be converted into default service utilizing the existing request for proposal ("RFP") process. For example, New Hampshire utilities could run a 10-year request for proposal for a fixed volume of Mass Hub futures for 10% of the default service estimated load. As the years roll forward, the position builds to a desired coverage level (e.g., 25%-50%). For example, if 50% of the New Hampshire estimated load for the current term had already been procured prior to the Russian invasion, customers would have benefitted from locking in the price. On the other side, if the price falls, a portion of the estimated load would remain open and able to be hedged at a lower level, creating more value for customers. Then, when standard RFPs for default service are distributed, wholesalers can include the bids for the blocks of power and incorporate them into their all-in price offer. In addition, having fixed volume blocks available for during procurements can improve liquidity in the wholesale supplier market by providing hedging products that can be difficult to execute in size, on a single day. Suppliers would certainly view additional hedge product liquidity as a benefit when considering whether to participate in solicitations. The suggested technical conference could also gather additional information on this topic from a diverse set of stakeholders.



**RR 5: Utilities are requested to comment on whether (i) there may be changes required to the electricity procurement processes to better accommodate direct electric purchases from the ISO-NE, as was recently approved by the Commission for an electric utility; (ii) all else equal, utilities expect competitive procurement results to change as a result of this authorization?**

Although this question was directed to the utilities, NEM recommends the Commission consider its comments above regarding the potential for negative impacts from exposing basic service customers in New Hampshire to price volatility through self-supply – or direct electric purchases from the ISO-NE. In addition, multiple undesirable settlements of self-supply contracts can occur, such as a weather event coupled with high Mystic charges. These undesirable situations will require large recoveries from customers and at times enormous amounts of credit capacity. Credit impact to distribution companies could cause suppliers to consider the possibility of distribution companies becoming temporarily insolvent during a given service term. Before implementing any changes, NEM suggests that the Commission analyze the financial risks being taken on by moving forward with self supply. For example, a technical conference could be convened to gather additional information to help analyze the financial risks associated with self supply.

Instead of self-supply, as an alternative procurement approach, the Department should consider implementing longer term fixed procurements of power as discussed in RR4. Last, allowing subjective self supply decision making could actually reduce wholesale supplier participation, contrary to the Commissions' goals given the opaque nature of an evaluation.

**RR 7: All utilities are requested to provide 5-years historical data on prices secured through their RFP processes for each Rate Class (i.e., Residential/Small, Large C&I) along with: (i) monthly bid prices for each 6-month period; (ii) weighted average price used for the Default Energy Service Rate for the corresponding 6-month period; (ii) daily prices from the day-ahead market for the corresponding 6-month periods. Provide this data in two separate tabs using the following format in MS Excel:**

NEM recommends that the analysis include impacts from various hedging strategies implemented by wholesale suppliers. Suppliers may use financial futures and forwards to hedge transactions on behalf of default service customers, to provide price certainty.

February 17, 2023

Respectfully submitted,

s/ Michelle Gardner

Michelle Gardner

Executive Director, Northeast Region

NextEra Energy Resources, LLC

700 Universe Blvd.

Juno Beach FL 33408

617-267-6047

[Michelle.gardner@nexteraenergy.com](mailto:Michelle.gardner@nexteraenergy.com)