
OLR Bill Analysis

sSB 385

AN ACT CONCERNING ENERGY PROCUREMENTS.

SUMMARY

This bill authorizes the Department of Energy and Environmental Protection (DEEP) commissioner to issue a coordinated solicitation for zero-carbon electricity generating resources from an eligible nuclear power generating facility. She must coordinate with the applicable officials in at least two New England states to conduct the solicitation. The bill prohibits the DEEP commissioner from directing the electric distribution companies (EDCs, i.e., Eversource and United Illuminating) to enter into agreements under selected proposals unless officials representing at least two other New England states select a proposal in response to the solicitation.

The bill allows the DEEP commissioner to select proposals she determines to be in ratepayers' best interest. For selected proposals, the DEEP commissioner must direct the EDCs to enter into agreements for up to ten-year terms, starting on the date the company's agreement under the previous zero-carbon procurement ends (see BACKGROUND). Agreements must be in ratepayers' best interest and are subject to the Public Utilities Regulatory Authority's (PURA) review and approval. Under the bill, an agreement's net costs must be recovered through a component of electric rates for all EDC customers and any net revenues from selling products purchased under an agreement must be credited to customers through the same rate component.

The bill also authorizes the EDCs to request that PURA's procurement manager authorize them to use energy or related products purchased under the previous zero-carbon procurement to provide standard service (see below). If the procurement manager approves the

request, he must set certain terms for that use, including on time period, quantity, and price. The bill requires standard service customers to pay the cost of any portion of energy or related products approved for this purpose. It prohibits nuclear generating facility owners or operators from paying the procurement manager's administrative costs. It also specifies that neither the provision on procurement nor the authorization for a coordinated solicitation amend or alter agreements under the previous zero-carbon solicitation.

Lastly, the bill expands the maximum term, from 20 to 30 years, for power purchase agreements (PPAs) under a separate authorization for solicitations for Class I offshore wind facilities.

EFFECTIVE DATE: Upon passage

COORDINATED SOLICITATION FOR NUCLEAR

Solicitation Process

The bill allows the DEEP commissioner, in consultation with PURA's procurement manager, to issue a coordinated solicitation for zero-carbon electricity generating resources from an eligible nuclear power generating facility (i.e., a nuclear facility located in New England and licensed to operate through at least January 1, 2030). She must conduct the solicitation in coordination with applicable officials representing at least two New England states.

The bill requires the coordinated solicitation to be for resources delivered into the independent system operator (ISO)-New England control area (generally, New England).

Proposal Selection and EDC Agreements

The bill allows the DEEP commissioner to select proposals she finds to be in ratepayers' best interest. A proposal is in the ratepayers' best interest if its benefits outweigh its costs to electric ratepayers, based on whether the delivered price of sources included is less than the forecasted price of energy and capacity, as determined by the DEEP commissioner or her designee.

The determination must also be based on the following factors:

1. impacts on electric system operations and reliability;
2. the extent to which the proposal or contract contributes to (a) ISO-New England's local sourcing requirement, (b) the state's greenhouse gas emissions requirements, and (c) the state's air quality improvement requirements;
3. fuel diversity; and
4. whether the proposal and its environmental impacts align with the state's Integrated Resources Plan and Comprehensive Energy Strategy.

For selected proposals, the bill requires the DEEP commissioner to direct the EDCs to enter into agreements for any combination of energy, capacity, and environmental attributes. An agreement must also be in ratepayers' best interests and for a term of up to 10 years, starting on the date the company's agreement under the previous zero-carbon procurement ends.

The bill prohibits the DEEP commissioner from directing EDCs to enter into any agreement under this solicitation unless applicable officials representing at least two states also select a proposal for any combination of energy, capacity, or environmental attributes from an eligible nuclear power generating facility in response to the coordinated solicitation.

PURA Review and Cost Recovery

The bill requires an EDC to apply to PURA for approval of any agreement resulting from the coordinated solicitation. PURA must start its review when the EDC files a signed agreement. PURA must approve an agreement if it determines that the agreement is prudent and cost effective and delivers adequate and reliable products and services, for which there is a clear public need, at a just and reasonable price.

The bill prohibits PURA from approving any agreement unless at least two other states, or electric utilities or other entities designated by at least two other states' applicable officials, enter into PPAs or other

agreements for any combination of energy, capacity, and environmental attributes with an eligible nuclear power generating facility.

The bill requires PURA to issue its decision within 180 days after the EDC files the agreement. If PURA does not issue a decision within this timeframe, the agreement is deemed approved.

Under the bill, the net costs of any agreement, including the EDC's costs under the agreement and its reasonable costs connected to the agreement, must be recovered on a timely basis through a nonbypassable, fully reconciling component of electric rates for all EDC customers. Any of the EDC's net revenues from selling products purchased under an agreement must be credited to its customers through the same rate component.

STANDARD SERVICE

Standard service is the energy supply sold to electric customers who do not choose to buy electricity through a third-party energy supplier. The EDCs buy electricity and other products to serve these customers through a process overseen by PURA's procurement manager, the Office of Consumer Counsel (OCC), and other parties (CGS § 16-244m).

The bill allows EDCs to request that PURA's procurement manager authorize the company to use any portion or combination of the energy, capacity, and other energy products the company purchases under an agreement approved under the previous zero-carbon procurement.

The bill allows the procurement manager to approve the request if he finds it is in the best interest of standard service customers. The procurement manager, in consultation with OCC, must approve or deny the request within 15 days of receiving it.

The bill requires the procurement manager to set the following parameters for any agreement he approves:

1. the quantity of energy, capacity, or other energy products that the company must use for standard service;

2. the time period during which they must use the energy, capacity, or other energy products; and
3. the price standard service customers must pay for the energy, capacity, or other energy products.

The bill requires the standard service customers to pay the cost of any portion of energy, capacity, or other energy products approved for this purpose at the price and quantity set by the procurement manager. It prohibits standard service customers from paying more for this energy, capacity, and other products than the applicable price specified in the agreement that the company entered into under the previous zero-carbon procurement. The bill also excludes costs associated with standard service from being recovered from all electric ratepayers.

OFFSHORE WIND CONTRACTS

Existing law authorizes DEEP to solicit proposals for a total of up to 2,000 megawatts from offshore wind providers and transmission providers (for transmission associated with offshore wind projects) by December 31, 2030. For selected projects, the DEEP commissioner may direct the EDCs to enter into PPAs for energy, capacity, and associated transmission, subject to PURA's review and approval. Under current law, these agreements are for periods up to 20 years. The bill expands the periods for these agreements by allowing them to be for up to 30 years.

BACKGROUND

Previous Zero Carbon Procurement (PA 17-3, June Special Session (JSS))

Among other things, PA 17-3, JSS, authorized DEEP and PURA to conduct a solicitation and procurement for bids from zero-carbon generation facilities. DEEP selected a bid for 9 million megawatt-hours from the Millstone Power Station, owned by Dominion Energy, and, after a renegotiation, PURA approved PPAs between the EDCs and Dominion. Under the agreements, the EDCs must purchase 50% of Millstone's output over 10 years (2019 to 2029). A bid from Seabrook Station in New Hampshire was also selected, resulting in an 8-year

contract (2022-2030).

Related Bills

SB 383, favorably reported by the Energy and Technology Committee, requires bidders selected in DEEP’s offshore wind solicitation to make payments into a mitigation fund to mitigate adverse consequences to wildlife, fisheries, and any other aspects of the fishing industry that result from the bidder’s activities connected with offshore wind facility development and operation.

sSB 382, favorably reported by the Energy and Technology Committee, extends the maximum term, from 20 to 30 years, for agreements under a separate authorization for solicitations for offshore wind facilities for up to 3% of the state’s load.

COMMITTEE ACTION

Energy and Technology Committee

Joint Favorable Substitute

Yea 14 Nay 6 (03/21/2024)