



State of Connecticut

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DEPARTMENT OF PUBLIC UTILITY CONTROL

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DPUC Approves RFP to Solicit New Capacity to Meet State's Immediate Needs and Reduce Future Electricity Costs to Connecticut Consumers

The Department of Public Utility Control (DPUC) tomorrow will launch its procurement process by issuing a Request for Proposals (RFP) to acquire additional new megawatts from generation, demand-side reduction, conservation and energy efficiency projects needed in the state of Connecticut to reduce the impact of Federally Mandated Congestion Charges on Connecticut ratepayers. The RFP, which was approved by the DPUC on September 13, 2006, includes an innovative energy hedge mechanism to mitigate against increasing electricity prices, which will serve as an effective price cap on wholesale electricity prices in Connecticut.

While no specific megawatt target has been set for the procurement process (as the amount procured will also depend on the financial bids received), the DPUC and other experts in the field forecast that Connecticut already needs around 600 to 700 MW of new quick start electric generating units or dispatchable demand response and will, in later years, need more baseload generating capacity or conservation (ranging from 600 MW up to 2,400 MW by 2021) to address the needs driven by growing load in Connecticut.

The RFP invites bids from new resources or existing resources willing to make additions or refurbishments. The resulting contracts from the RFP will be for new capacity for terms of up to 15 years. The RFP is seeking responses from diverse resources, including generation, demand response, conservation and energy efficiency projects. The objective of the RFP is to: 1) motivate the development of new supply and demand resources in the state in order to proactively hedge rising electricity costs resulting from expected regional and state-wide shortages in electric generation capacity in the longer term, 2) reduce pollution from older, less efficient plants, and 3) diversify the resources that Connecticut has to rely on to meet its electricity needs in the future.

The DPUC is committed to complementing the market initiatives of other regional organizations to ensure a cost-effective and reliable supply of electricity for Connecticut ratepayers. It is important for winning projects to participate in and positively impact the wholesale electricity market as this will ultimately reduce costs for ratepayers. The contract structure selected requires and motivates suppliers to do that. The contract that winning bidders will sign consists of a financial two-way contract (Contract for Differences), which will require that the electric distribution companies true-up the Supplier to their contract price if the market price in the ISO-NE Forward Capacity Market is lower than the contract price.

Alternatively, if the market price in the ISO-NE Forward Capacity Market is higher than the contract price, the supplier would pay the electric distribution company the difference. At the option of the Bidder, the contract may also settle against the Locational Forward Reserve Market and, if the bidder elects the energy hedge, the contract will settle against the Day-Ahead Energy Market.

Financial Bids will be due December 13, 2006 and the DPUC expects to announce winning projects no later than spring of 2007. Proposed projects will be evaluated on a cost-benefit basis to ensure that the portfolio of projects selected by the DPUC results in positive anticipated net benefits to Connecticut ratepayers over the term of the contracts. At the same time, 15% of the total bid score will be judged based on policy priorities, such as improving the quality of Connecticut's environment, diversifying the fuel used in electricity generation in the state of Connecticut, improving the reliability of the electricity delivery system, and making effective use of existing generation, transmission, and fuel supply infrastructure.

For more information on the RFP, please visit the RFP website at: www.Connecticut2006RFP.com or contact the RFP Coordinator at: RFPCoordinator@Connecticut2006RFP.com.