

## **FERC Approves Participant Funding Arrangement for International Transmission Project**

**May 21, 2009**

On May 21, 2009, the Federal Energy Regulatory Commission (FERC) approved a participant funding arrangement for a proposed international transmission project that would connect the Hydro-Quebec TransEnergie (Hydro-Quebec) transmission system with the ISO New England transmission system. The project is designed to allow the importation of hydropower from Canada into the United States for the purpose of serving customers in the New England region.

Northeast Utilities Service Company (Northeast), NSTAR Electric Company (NSTAR), and Hydro-Quebec are presently collaborating on the design and construction of a 1,200-megawatt transmission line that would connect Hydro-Quebec to ISO New England's 345 kV transmission system. As proposed, Hydro-Quebec will fund construction of the project and will assume responsibility for the project's risks. In return for its commitment, Hydro-Quebec will receive 1,200 megawatts of capacity on the completed transmission line for the transmission of hydropower into the United States. Under such a proposal, the costs of the project will not be recovered through the rates for transmission service under the ISO New England's tariff.

In its proposal, Northeast and NSTAR distinguished its project from a merchant transmission project, which FERC has previously approved. In a merchant transmission project, FERC requires a developer to hold an open season for capacity rights because the developer is seeking to sell capacity at market-based rates. Approval of Northeast and NSTAR's proposal, however, does not impose such requirements. Rather, the funding proposal approved by FERC embodies characteristics of "anchor shipping" arrangements that exist in the gas industry, which allow a primary funding source of a project to receive guaranteed capacity in return for its commitment to assume the risks of and fund a project.

In approving the funding arrangement, FERC Chairman Jon Wellinghoff hailed the project as an opportunity to provide "access to clean, low-cost energy for consumers in a region of the country that has tight constraints on electricity supplies." Chairman Wellinghoff also explained that the "project promotes competition in the region by facilitating the transmission of Canadian hydro power to markets in the United States, enhancing the region's fuel diversity."

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