COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

Petition of Boston Edison Company, Cambridge Electric Light Company, Commonwealth Electric Company and NSTAR Gas Company for Approval of a Rate Settlement Effective January 1, 2006	)	D.T.E. 05-85

Comments of Constellation Energy Commodities Group, Inc.

I. INTRODUCTION

Constellation Energy Commodities Group, Inc. ("Constellation"), a wholesale supplier of power to distribution companies in Massachusetts, New England and throughout the United States, is pleased to provide comments with respect to the proposed rate settlement ("Settlement") submitted to the Department of Telecommunications and Energy ("Department") on December 6, 2005 by Boston Edison Company, Cambridge Electric Light Company and Commonwealth Electric Company (together "NSTAR Electric") and NSTAR Gas Company ("NSTAR Gas" and collectively with NSTAR Electric, "the Companies"). Constellation's comments are limited to Sections 2.32 through 2.36 of the Settlement.

II. COMMENTS

Sections 2.32 through 2.36 of the Settlement allow NSTAR Electric to collect incentives and recover costs associated with: continued advocacy and litigation at FERC "in order to mitigate electricity market inefficiency costs" (Section 2.32); development of a program designed "to identify the causes for the difference between the actual electric market dispatch in

New England and the unconstrained marginal cost dispatch," (Section 2.33); and working to minimize unnecessary Reliability Must Run costs (Section 2.34). In sum, these provisions incentivize and potentially reward NSTAR Electric for actions it takes at FERC and elsewhere with respect to the structure and operation of wholesale markets.

These Settlement provisions are inappropriate for a number of reasons. First, there is no reason to address, adjudicate or decide issues relative to regional wholesale electricity markets in a proceeding about distribution and transition rates. The wholesale electricity-related issues implicated by Sections 2.32 through 2.36 of the Settlement have been and continue to be addressed at ISO-New England and the FERC. Many of these issues fall beyond the Department's jurisdiction and should not be considered within the context of this proceeding.

Second, the incentive programs and cost sharing mechanisms established by Sections 2.32 through 2.36 of the Settlement are tied to extremely broad and general objectives which essentially allow NSTAR Electric to seek incentives and cost recovery for any actions it might take, no matter how extreme or extensive, relative to the structure and operation of wholesale electricity markets. The short- and long-term impacts of these provisions on market prices, structure and participant obligations could be significant and adverse to the interests of NSTAR Electric customers and a properly functioning electricity marketplace.

Third, there is no reason to reward NSTAR Electric at this time for litigation it is already pursuing or actions it is presently taking. Here, NSTAR Electric has already started down a road which has taken it to FERC and elsewhere. With these Settlement provisions, NSTAR Electric appears to be seeking midstream pre-approval of actions it already has taken and may continue to take. There is no public policy reason which supports this sort of approval at this time.

Finally, Constellation believes that if the Department is indeed interested in considering the policy issues raised by Sections 2.32 through 2.36 of the Settlement, *i.e.*, incentives and cost recovery associated with a distribution company's involvement in regional wholesale electricity issues, such issues are more appropriately addressed in a separate proceeding, one that would include all distribution companies and one that is not constrained by the abbreviated schedule for consideration of the Settlement submitted in this proceeding.

III. CONCLUSION

For the reasons set forth herein, Constellation urges the Department to reject Sections 2.32 through 2.36 of the Settlement.

Respectfully submitted,

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