

To: Market Participants

From: Gordon van Welie, President and Chief Executive Officer

Date: January 4, 2008

Subject: ISO New England Comments on 2007 Months Subsequent to the 2007 SAS 70 Type 2 Audit Period

The recently completed SAS 70 Type 2 audit covered the controls surrounding the processes and systems for bidding, accounting, billing and settlement for energy, regulation, reserves, capacity, transmission, demand response and related market administration and settlement services for the period of October 1, 2006 to September 30, 2007. The KPMG opinion states, “the controls, as described, are suitably designed and were operating with sufficient effectiveness to provide reasonable assurance that the specified control objectives were achieved during the audit period.”

ISO-NE selected this audit period so the market participant auditors receive the SAS 70 Type 2 Audit Report in time for the calendar year end financial statement audit planning phase. Since the audit opinion does not extend beyond the audit period or include the period of October 1, 2007 to December 31, 2007, this letter assists the market participant auditors in understanding any changes to the ISO-NE control environment during this three-month period.

During this three-month period, the essential elements of the control environment such as governance, oversight responsibility and organizational structure remained relatively unchanged from those in place during the audit period. There were no significant process or system changes for bidding, accounting, billing and settlement for energy, regulation, reserves, capacity, transmission, demand response and related market administration and settlement services. Also, ISO-NE has committed to a practice of engaging an independent third-party to review and certify that the market software complies with governing agreements for significant market enhancements or a new market feature. The Internal Audit Department continues to actively review ISO New England’s processes and systems. This three-month period will be included in the next SAS 70 Type 2 audit, which will cover the period October 1, 2007 to September 30, 2008.

If you have any questions regarding the SAS 70 audit, please contact the ISO Customer Service Department at (413) 540-4220.