

To: NECPUC

From: Carolyn O'Connor

Date: March 15, 2010

Subject: Update on Recent and Upcoming Regional Activities

This memo is prepared by ISO's External Affairs Department to provide an update on several regional activities that may be of interest to the States. For your convenience, when appropriate, I have identified dates when key discussions and votes are scheduled to occur at upcoming stakeholder meetings, as well as planned filings.

There is also a section highlighting upcoming ISO speaking engagements and meetings that may be of interest.

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ISSUES & UPDATES

Regional Wholesale Electricity Prices and Demand Fall to Seven Year Low¹

Wholesale electricity prices and the annual demand for electricity in New England both fell last year to their lowest levels since at least 2003. The average price of wholesale electricity fell 48% in 2009, from \$80.54 per megawatt-hour (MWh) in 2008 to \$41.99/MWh last year. The 2009 price was lower than the comparable low of \$48.55/MWh set in 2003. The decline last year was due largely to a drop in the average price of natural gas.

Wholesale electricity prices are also affected by consumer demand. Consumption in the region is down due in part to the recent economic downturn and mild summer temperatures. Weather-normalized electricity consumption dropped 2.2%, or 2,900 gigawatt-hours (GWh), to 128,224 GWh in 2009 compared with the 131,127 GWh of electricity consumed in 2008. The last time consumption was lower was in 2002, at 127,767 GWh.

ISO New England forecasts that demand for electricity will drop by about 0.5% this year and then begin to rise again in 2011, by about 0.8%.

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Massachusetts' New Three-Year Energy Efficiency Plans

On January 28, 2010 the Massachusetts Department of Public Utilities (DPU) issued an order approving the 3-year energy efficiency plans of the Commonwealth's electric distribution companies (NGRID, NSTAR, Unitil, WMECO, and the Cape Light Compact – collectively known as "Program Administrators"). The proposed energy savings in these plans represent considerable increases over previous plans and stem from the requirements of the *Green Communities Act* (2008).

A summary of the newly approved plans is provided here as the magnitude of plans and potential energy savings can impact ISO's planning processes and the FCM.

DPU initial estimates of plan benefits include:

- reduced peak demand of approximately 400 MW;
- reduced statewide carbon dioxide emissions by roughly 15 million tons; and
- the creation of nearly 3,900 local jobs throughout the lifetime of the measures installed in Massachusetts.²

Total Funding Levels for All Program Administrators

	2010	2011	2012	Total 2010-2012
Total	\$293,828,994	\$431,251,209	\$546,821,481	\$1,271,901,686

Program Administrators will fund energy efficiency plan implementation from the following sources:

¹ See also http://www.iso-ne.com/nwsiss/pr/2010/price_demand_release_3110.pdf.

² http://www.mass.gov/Eoeea/docs/doer/Energy_Efficiency/MA%20EE%20story%202-1-10.pdf

- (1) the mandatory 2.5 mills per kWh system benefits charge (SBC);
- (2) revenues from the Forward Capacity Market (FCM);³
- (3) revenues from cap and trade pollution control programs;
- (4) other funding sources; and
- (5) an energy efficiency surcharge (EES).

The Program Administrators anticipate receiving a statewide total of \$34,660,844 in FCM revenues from 2010 through 2012, based on energy efficiency measures projected to be installed through their programs. The Program Administrators project that for 2010 through 2012, \$145,907,860 in proceeds from Massachusetts' participation in Regional Greenhouse Gas Initiative (RGGI) will be available to fund energy efficiency programs.⁴

Energy Savings Goals

The following table summarizes the energy efficiency goals for each Program Administrator.

Statewide Savings Goals, Annual MWh				
	2010	2011	2012	2010-2012
National Grid	287,977	415,967	506,932	1,210,876
NSTAR	258,655	373,613	455,315	1,087,583
WMECo	51,586	74,513	90,808	216,907
Unitil	6,387	9,225	11,243	26,855
Compact	25,395	36,681	44,703	106,779
Total	630,000	910,000	1,109,000	2,649,000

The savings goals for program year 2010 represent an 18% increase over the savings goals for program year 2009. In program year 2012, the savings goals represent a 109% increase over the goals in program year 2009.⁵

The DPU will convene a working group to address measurement and verification issues associated with the Program Administrators' Annual Reports, including establishing a template for the reports and a procedure for their review. The DPU will not require third-party audits at this time, but may in the future.

Demand resources participating in the wholesale markets are carefully accounted for by the ISO. Demand resources (including energy efficiency) are treated as "resources" eligible to contribute to the Installed Capacity Requirement (ICR) – a key element in determining the amount of capacity needed in each FCA – rather than being deducted from the ISO's load forecast. These resources are subject to rigorous measurement and verification plans (generators must meet similar requirements) to ensure that consumers get the full value for payments to these resources. Elements of the recently adopted 3-year energy efficiency plans that are awarded obligations in the FCM will likewise contribute to the ICR.

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³ Program Administrators are required to provide the DPU with estimates of the revenues to be collected from the demand resource capacity sold into the FCM; including estimates of the amounts of capacity to be sold and the price for capacity sold into the FCM. Program Administrators must also provide an estimate of the revenues to be obtained from the RGGI auction, including estimates of the prices of carbon allowances, and estimates of the portion of the Massachusetts RGGI allowances that will be allocated to the Program Administrator. See <http://www.env.state.ma.us/dpu/docs/electric/08-50/82208dpunoi.pdf>.

⁴ <http://www.env.state.ma.us/dpu/docs/electric/09-116/12810dpuord.pdf>

⁵ <http://www.env.state.ma.us/dpu/docs/electric/09-116/12810dpuord.pdf>

FERC Initiative on Performance Metrics

Comments were filed by numerous stakeholders on FERC's proposed performance metrics for ISOs and RTOs.⁶ Among the responses – [NECPUC](#),⁷ [NESCOE](#),⁸ [NEPOOL](#)⁹ and [ISO New England's Internal Market Monitor](#)¹⁰ raised common themes.¹¹ In particular, they emphasized that to accurately assess the performance of ISOs and RTOs the metrics must be tied to the function and responsibilities of the RTO to administer the tariff and market rules. It was noted that some of the proposed metrics are not RTO performance metrics but provide good information for stakeholders.

The comments of ISO's Internal Market Monitor focused on the market metrics being proposed and urged for a distinction between true market performance metrics and market outcomes. The comparison of Locational Marginal Prices (LMPs) across the different regions was used as an example of a market outcome that is not a market performance metric. Instead, a measure of how accurately prices reflect input costs is more appropriate. (See: http://www.iso-ne.com/regulatory/ferc/filings/2010/mar/ad10-5-000_3-5-10_immu_iso-ne_metric_comments.pdf).

Comments also urged that it be made very clear which metrics are based on performance, that RTOs will be held accountable for, and which are purely informational. Comments also noted that in order to achieve RTO accountability, the FERC should require follow-up activities and plans from the RTOs to improve in areas where performance is deficient. The comments echoed the need for additional stakeholder processes to finalize the metrics and to provide a better understanding of how the FERC intends to interpret and communicate the results to Congress.

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Federal Legislation Update

The U.S. Senate Energy and Natural Resources Committee (Committee) recently received new requests and information regarding legislative language included in the "[American Clean Energy and Leadership Act](#)" (S.1462). This bill was reported out of the Committee last year and still must pass the full Senate.¹²

A newly-established coalition of utilities called the [Coalition for Fair Transmission Policy](#) (CFTP) recently wrote to the Committee urging that market-based approaches to development of renewable resources be retained to ensure that the most cost-effective projects go forward. (See [CFTP Letter to Senate Majority and Minority Leaders](#)).¹³ In this regard, CFTP urges the Committee to retain the

⁶ This proposed metrics is described in detail in the February 1, 2010 Supplemental Notice (Part 1) to the February 5, 2010 NEPOOL Participants Committee, starting on page 22. See http://www.iso-ne.com/committees/comm_wkgrps/prtcpnts_comm/prtcpnts/mtrls/2010/feb52010/supp_notice_npc_mtg_20100205_p1.pdf.

⁷ For NECPUC comments please see <http://elibrary.ferc.gov/idmws/nvcommon/NVViewer.asp?Doc=12287453:0>.

⁸ For NESCOE comments please see <http://elibrary.ferc.gov/idmws/nvcommon/NVViewer.asp?Doc=12287335:0>.

⁹ For NEPOOL comments please see http://www.iso-ne.com/regulatory/ferc/nepool/2010/mar/ad10_5_nepool_comments.pdf.

¹⁰ For ISO market monitor comments please see http://www.iso-ne.com/regulatory/ferc/filings/2010/mar/ad10-5-000_3-5-10_immu_iso-ne_metric_comments.pdf.

¹¹ Other parties in New England filed responses with FERC. These comments can be accessed by inserting "AD10-5" in the docket number at http://elibrary.ferc.gov/idmws/docket_sheet.asp.

¹² See http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_bills&docid=f:s1462pcs.txt.pdf.

¹³ See http://thecftp.org/uploads/Transmission_Final_Letter_2_9_10.pdf.

legislative language requiring that transmission cost allocation be based on measurable benefits. Additionally, the Committee is urged to preserve local and regional planning as the best means for successfully developing transmission by removing language that provides FERC with authority to approve or modify interconnection-wide transmission plans.

The CFTP, which includes Northeast Utilities, began operation in March to support legislative and regulatory policies within comprehensive energy legislation that will lead to the most efficient development of the nation's electric transmission systems and clean generation resources. In particular, the Coalition will seek to ensure that any effort to improve transmission planning builds on existing successful, coordinated, open, and transparent regional processes, and is inclusive of all stakeholders.

In addition, Senators Bingaman and Murkowski, the Chairman and Ranking Member of the Committee respectively, also received additional information relative to the potential costs of American Electric Power's (AEP) proposed national 765 kV extra high voltage (EHV) transmission overlay.

The [Large Public Power Council](#) (LPPC) provided the Committee with a [report conducted by Christensen Associates Energy Consulting](#)¹⁴ to evaluate AEP's cost estimate for the EHV overlay. Specific findings include that the cost-per-mile estimates in the 2009 analysis are below transmission cost estimates being used by AEP for projects under development today – and do not include the cost of transmission improvements required to accommodate the EHV overlay. In providing the report to the Committee, LPPC urges that a comprehensive review of the full scope of costs and benefits to consumers be completed and understood before adopting a new national transmission cost-allocation policy to fund such projects.

Regulatory Reform

On March 9, the Senate Energy and Natural Resources Committee held a hearing to examine Financial Transmission Rights (FTRs) and electricity markets. The hearing was prompted by the House-passed "[Wall Street Reform and Consumer Protection Act of 2009](#)" (H.R. 4173) that has raised concerns about the potential for Commodity Futures Trading Commission (CFTC) to gain jurisdiction over certain electricity market mechanisms, specifically FTRs. The bill provides the CFTC with greater oversight of certain "swap" products traded in over-the-counter environments. Since the legislation broadly defines swaps – certain electricity markets could become subject to the jurisdiction of the CFTC in addition to the FERC.

Witnesses, including FERC Chairman John Wellinghoff and CFTC Chairman Gary Gensler, echoed the need for the Committee to work towards a solution to the jurisdictional issues in statute today and in the new legislation. Solutions discussed included a bright-line exemption for FERC regulated markets or coordination agreements, such as the Memorandum of Understanding concept in the House bill, which would have the two agencies work together when circumstances warrant and to avoid overlapping regulation. Others argued that markets and market products evolve and that bright-line exemptions become loopholes in the future.

New York Public Service Commission Chairman Gary Brown, testifying on behalf of National Association of Regulatory Utility Commissioners (NARUC), focused on how the mandatory clearing provisions in the House bill would increase the cost of hedging for end-users. He recommended that the Committee weigh the increase in costs to the increased benefits, exempt mandatory clearing for legitimate utility hedging and maintain FERC as the exclusive regulator for FTRs and electricity markets.

¹⁴ Please note that a letter (see: <http://www.lppc.org/issues/transmission/bingaman-murkowski-letter-3-1-2010.pdf>) accompanied this report.

PJM's General Counsel Vince Duane described the role of FTRs in the electricity market outlining how they are unique to the function of transmission service. He recommended a bright-line exemption as the best means of reserving FERC's jurisdiction. Former FERC Chairman Joseph Kelliher, testifying on behalf of the Electric Power Supply Association, noted that the increased capital that will be needed for new collateral requirements is better spent on needed infrastructure projects.

Senator Blanche Lincoln, Chair of the Senate Committee on Agriculture, Nutrition and Forestry alluded to the need to provide centralized oversight of derivatives in one agency.

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Update on Vermont Yankee

Vermont Yankee (VY) is a 620 MW plant located in southeastern Vermont that began commercial operation in 1972. VY's operating license, initially issued when VY first began operating, expires on March 21, 2012.

NRC

The Nuclear Regulatory Commission (NRC) has direct jurisdiction over radiological safety at VY.¹⁵ The NRC staff gave preliminary approval to VY nuclear plant's request to extend its license for 20 years, but it is uncertain when the NRC will make its final determination.

On March 23, 2009, the NRC announced that it will delay indefinitely its final decision on the relicensing of VY (and the Pilgrim plant in Plymouth, Massachusetts also owned by Entergy). Although this announcement did not specify the NRC's reasoning, it is likely that the NRC will use this additional time to look into the safety of the two plants' spent fuel storage systems. Oversight of spent fuel storage is a key role for the NRC. Specifically, the NRC regulates spent fuel through a combination of regulatory requirements; licensing; safety oversight, including inspection; assessment of performance; and enforcement.¹⁶

On January 26, 2010, Vermont Senators Patrick Leahy and Bernie Sanders and Representative Peter Welch met with NRC Chairman Gregory B. Jaczko regarding reports of leaking radioactive tritium at VY. NRC's resident and regional inspectors are providing oversight of Entergy's actions to find the leak(s), which include assessing buried piping on site, inspecting accessible piping systems for leakage, and installing new groundwater monitoring wells to help pinpoint potential sources.¹⁷ Entergy continues to work to locate the source of the tritium leaks.

PSB

The Vermont Public Service Board (PSB) regulates the economic implications of safety¹⁸ and can issue a certificate of public good. The PSB currently has an open docket (7440)¹⁹ on the matter and has collected comments and testimony through a series of public hearings conducted in 2008 and 2009. However, the PSB may not issue an order in this case without the express permission of the Vermont legislature. The

¹⁵ NRC staff review the relicensing submission, using standard review plans, to ensure that the applicant's assumptions are technically correct and that the proposed activities will not adversely affect the environment.

¹⁶ <http://www.nrc.gov/waste/spent-fuel-storage.html>.

¹⁷ See http://leahy.senate.gov/press/press_releases/release/?id=88865E71-BCC9-456F-B200-FB05B8754417.

¹⁸ Vermont Public Service Board Docket 6545, Order of 6/13/02 at 15, fn. 25 citing *Pacific Gas and Electric Company v. State Energy Resources Conservation and Development Commission*, 461 U.S. 190, 207–208 (1983).

¹⁹ See <http://psb.vermont.gov/docketsandprojects/electric/7440>

PSB opened a new docket and held a prehearing conference on March 10 to investigate whether Vermont Yankee can or should be shut down during the investigation into the tritium leaks and the time it will take to repair such leaks.²⁰

Vermont Legislature

The only state in the union to do so, the Vermont Legislature gave itself the authority to weigh in on the relicensing of a nuclear power station. On February 24, 2010, the Vermont State Senate voted on a bill (S. 289)²¹ addressing the continued operation of VY. By a vote of 26 – 4 they voted against the continued operation of the plant. If passed, the bill would have established that continued operation of the plant was in the public interest.

It is important to note that this vote does not mean that VY will shut down immediately. Through the Forward Capacity Market, VY has a capacity obligation through mid-2013.²²

Finally, there is potential federal preemption question that may arise if the NRC grants VY's relicensing request but Vermont's legislature has not passed a bill approving operation past 2012.

On January 21, 2010 Stephen Rourke, ISO's Vice President for System Planning addressed the Vermont State Senate Finance Committee. He covered a range of issues and provided an update on the ISO's Vermont Needs Assessment²³ and other planning activities relevant to Vermont. The Needs Assessment shows that without updates to the grid in Vermont, under certain operating conditions there is a potential for reliability issues by 2018. These issues are more severe in scenarios where Vermont Yankee is not in service.

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Hydro Quebec Reaches Preliminary Power Deal with Two Vermont Utilities

Existing contracts with Hydro Quebec and Vermont Yankee represent about two-thirds of Vermont's electricity. However, with the status of Vermont Yankee uncertain beyond 2012, and with long-term contracts with Hydro Quebec concluding over the next few years, there was a strong desire by many Vermonters to extend the long-term contract with Hydro Quebec.

On March 11, Vermont's two largest utilities – Green Mountain Power and Central Vermont Public Service – signed a memorandum of understanding with Hydro Quebec (HQ) for a new power supply contract. “The companies announced that they anticipate purchases totaling up to about 225 megawatts starting in November 2012 and ending in 2038. The term sheet includes a price-smoothing mechanism that will shield customers from volatile market spikes over this period.”²⁴

One of the key provisions of the agreement calls for the Vermont Legislature to enact legislation to designate large hydro, which would include HQ power, as renewable. Any renewable energy credit revenues for HQ delivered pursuant to this contract would be shared between Vermont utility customers and HQ.

²⁰ <http://psb.vermont.gov/sites/psb/files/orders/2010/7600showcause.pdf>.

²¹ See <http://www.leg.state.vt.us/docs/2010/bills/Intro/S-289.pdf>

²² If Vermont Yankee were to shut down before 2013, Entergy could attempt to procure a substitute source for their obligated capacity amount through successive reconfiguration auctions that are held closer to the year of commitment.

²³ http://www.iso-ne.com/committees/comm_wkgrps/prtcpts_comm/pac/reports/index.html

²⁴ Please see http://www.hydroworld.com/index/display/article-display/6738708687/articles/hrhrw/News-2/2010/02/vermont_-_hydro_quebec.html.

The final agreement will be subject to Vermont Public Service Board approval.

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White House to Nominate Moeller and LaFleur to FERC

Last week, President Obama announced his intention to nominate sitting FERC Commissioner [Philip Moeller](#)²⁵ and Cheryl LaFleur²⁶ to seats on the [Federal Energy Regulatory Commission](#).²⁷

Commissioner Moeller's current term is set to expire on June 30. He was initially nominated to FERC by President Bush and sworn into office in July 2006.²⁸

Ms. LaFleur has extensive background in the energy industry and a familiarity with New England. She retired in 2007 as executive vice president and acting CEO of National Grid USA. While with National Grid USA and its predecessor New England Electric System, she held positions that included COO, president of the New England distribution companies, general counsel, senior vice president of retail marketing and vice president of demand-side management.

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Invitation to EIPC Webinars Regarding Stakeholder Steering Committee

The Planning Authorities for the Eastern Interconnection Planning Collaborative (EIPC) will be holding a 1½ hour-webinar on March 17 (10 AM), 19 (11 AM) and 23 (11 AM). The same information will be presented at each of these meetings. Each webinar will be an opportunity to present and take questions and comments on the [Straw Proposal](#) for the EIPC Stakeholder Steering Committee (SSC) formation and selection process and the SSC's Purpose, Roles and Responsibilities. (Straw Proposal available at http://eipconline.com/documentlibrary/EIPC_SSC_Straw_Proposal_Responsibilities_Final-031110.pdf).

All interested parties are encouraged to participate in one of these webinars.

As outlined in the DOE Funding Opportunity Announcement and the EIPC Proposal (http://eipconline.com/document_library.php), the SSC will provide strategic guidance through consensus on the models, assumptions and future scenarios to be modeled. This Straw Proposal is intended to start the conversation among stakeholders about how to best balance stakeholder sectors and regional diversity as well as how to form an SSC that represents a diversity of interests while being manageable in size. Following the webinars, there will be an opportunity to submit written comments on the Straw Proposal until March 31, and all comments will be posted on the [EIPC website](#).²⁹

²⁵ Please see White House Press Release from March 8, 2010, <http://www.whitehouse.gov/the-press-office/president-obama-announces-another-key-administration-post-3810>.

²⁶ Please see White House Press Release from March 8, 2010, <http://www.whitehouse.gov/the-press-office/president-obama-announces-more-key-administration-posts-3810>.

²⁷ See www.ferc.gov.

²⁸ For more information on Commissioner Moeller please see <http://www.ferc.gov/about/com-mem/moeller.asp>.

²⁹ See <http://eipconline.com>.

The EIPC also plans to hold an Eastern Interconnection-wide meeting the week of April 12 to allow stakeholders to discuss and develop agreement on a final SSC proposal. The date and venue for the meeting will be announced on the webinars.

To participate in one of the webinars, select one of the following dates and registration links:

- **Wednesday March 17 (10 AM – 11:30 AM)**
<https://eipconline.webex.com/eipconline/onstage/g.php?t=a&d=645467294>
- **Friday March 19 (11 AM – 12:30 PM)**
<https://eipconline.webex.com/eipconline/onstage/g.php?t=a&d=648205064>
- **Tuesday March 23 (11 AM – 12:30 PM)**
<https://eipconline.webex.com/eipconline/onstage/g.php?t=a&d=642898154>

If you have questions regarding the registration process, please contact emiller@keystone.org.

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Consumer Liaison Outreach Meeting in Maine Scheduled for March 18

The ISO will be conducting a Consumer Liaison Outreach Meeting in Maine on Thursday, March 18, from 1:00 PM to 2:30 PM at the Office of the Maine Public Utilities Commission. ([Click for directions to the Maine PUC](#)). The purpose of this meeting is to inform Maine electric consumers of the recently created Consumer Liaison Group and to promote participation in this group.

The CLG was established with the purpose of creating a forum for the flow of information between ISO New England (ISO) and New England's electricity users. Among other things, the benefit of the CLG is that: consumers and their representatives will gain a better understanding of ISO initiatives and market developments and their impacts, including cost impacts; and the ISO will gain a better understanding of consumer interests and concerns. The CLG also aims to facilitate the participation of consumers in the regional stakeholder process. ([Click to learn more about the CLG](#))

Those interested can participate in person or via conference call (phone: 866.453.1193/passcode: 1845244).

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Annual Pre-Summer Communications Meeting to be Held on May 27

ISO New England will hold its annual pre-summer communications meeting on Thursday, May 27. The meeting will be held at ISO's facility at One Sullivan Road, Holyoke, MA, 01040, from 10:00 a.m. to approximately noon, with a light lunch following the meeting. We will also offer participation via webinar. Information on registration will be issued in advance of the meeting.

The purpose of this meeting is to review the ISO's communications protocol for OP4 events in advance of the summer peak period in New England. This year's meeting will include an overview of changes to OP4 actions that will take effect June 1. The number of OP4 actions is being revised to reflect the transition from the activation of demand-response assets through the ISO Load Response Program to the dispatch of Demand Resources under the Forward Capacity Market. The ISO has streamlined the quantity of OP4 actions as part of the revisions to the procedure. As such, the ISO is revising the actions at which it will issue different types of public appeals for conservation, including requests for the region's governors to reinforce ISO conservation requests.

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Installed Capacity Requirement

The ISO is in the process of developing the Installed Capacity Requirement (ICR) and related values for the 4th Forward Capacity Auction (FCA-4), which coincides with resources needed in the 2013/14 timeframe. The ISO reviewed preliminary assumptions with the Power Supply Planning Committee on March 11, and plans to file the values in May and hold the auction in August.

Tie Benefits Order

On February 12, the FERC issued an order approving the ISO's proposed ICR and related values for the final reconfiguration auction (RA), scheduled for the week of March 15, for resources needed beginning June 1, 2010. The order also approved the ISO's proposed market-rule change to use the same 1,860 MW tie-benefits value for the March RA as was assumed for previous auctions. The rule change only applies to the final RA for FCA-1. The order requires the ISO to work with stakeholders throughout 2010 and to make a filing by December 31 to resolve outstanding tie-benefits methodology issues. The order further specifies that the stakeholder process should include analysis of alternative proposals as requested by [New England States Committee on Electricity](#) and other stakeholders.

The ISO outlined an initial list of issues and a preliminary schedule with the Reliability Committee in February and will be further coordinating the schedule with representatives of the states and NEPOOL.

In order to work through the outstanding items on the Tie Benefits Issues List, additional Reliability Committee Meetings have been scheduled for the following dates and locations:

- | | |
|--------------------------|--|
| • Monday, March 22 | DoubleTree Westborough, Massachusetts |
| • Thursday, April 29 | DoubleTree Westborough, Massachusetts |
| • Thursday, May 27 | DoubleTree, Westborough, Massachusetts |
| • Monday, June 14 | Courtyard Marriott, Marlborough, Massachusetts |
| • Tuesday, July 20 | DoubleTree, Westborough, Massachusetts |
| • Wednesday, August 25 | DoubleTree, Westborough, Massachusetts |
| • Wednesday September 22 | Publick House, Sturbridge, Massachusetts |

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Forward Capacity Market Rule Changes

On February 22, NEPOOL and ISO New England submitted to FERC a filing which contains proposed revisions to the Forward Capacity Market rules.³⁰ This filing represents the culmination of over a year of effort by regional stakeholders including state regulators, consumer advocates, market participants and the ISO to improve the Forward Capacity Market.

Though the rules that were filed with FERC did not receive unanimous support of NEPOOL, the rules did receive over 70% support.

The February 22 filing details changes proposed to improve the FCM. Among other things, the rule changes include:

- the creation of two new Alternative Price Rules (APR) developed to better reflect out of market capacity;

³⁰ See http://www.iso-ne.com/regulatory/ferc/filings/2010/feb/er10-000_02-22-10_fcm_redesign_filing.pdf.

- capping the out-of-market carry forward for six years, such that it will apply in no more than seven auctions;
- having the Market Monitor determine whether a project is out-of-market with respect to each offer below .75 times CONE;
- establishing CONE for FCA-4 at \$4.918/kW month – the same used in FCA-3;
- extending the floor price for the next three FCAs at the rate of .6 times CONE or \$2.95/kW month; and
- setting the starting price for the next auctions for commitment periods beginning June 2013, 2014 and 2015 at two times CONE – which will be \$9.836/kW month for FCA-4 and will increase to \$15/kW month for 2016 Commitment period (FCA-6).³¹

In the filing, ISO also committed itself to:

- continue to consider ways to improve the FCM;
- retain an economic consultant to assist the ISO on FCM-related issues and periodically update stakeholders; and
- make a filing with FERC within 18 months, either proposing rules or reporting on the status of discussions and progress on FCM matters – the ISO will use the 18 month timeframe as an outer-limit on the stakeholder process and will work in good faith to complete this process in less time.

Comments relative to these rules are due to FERC by March 15.

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Price Responsive Demand Rules

At the December 11 NEPOOL Participants Committee, NEPOOL was presented with a demand-side and supply-side options relative to the future role of Price Responsive Demand (PRD) in the region. The Participants Committee resoundingly supported the demand-side approach,³² however, none of the proposed supply-side options, including the ISO's (54.21% in favor), NECPUC's (50.27% in favor) and EnerNOC/CDRI's (31.88% in favor) garnered the required 60%.

The ISO has prepared an initial set of market rules for the supply-side option. These rules address product definition, eligibility, payment rate and cost allocation. The rules that are being proposed by ISO reflect the Price Responsive Demand Design Basis Document supported by the ISO and over two-thirds of the NEPOOL Markets Committee (December 9, 67.87% of Markets Committee voted in support of this Design Basis Document).

The Markets Committee has begun reviewing the ISO's proposed market rules for the implementation of a supply-side option for PRD. Among other things the ISO's proposed market rules allow customers to offer load reductions into the wholesale energy market. Under the ISO's proposal, payments for load reductions would be based on the Locational Marginal Price minus the customer's retail generation rate. ISO also proposes that the cost of the energy payments to demand response providers for load curtailment should be allocated to the load-serving entity whose load was reduced by the demand response.

³¹ After the 2016 Commitment period, the starting price will be adjusted after each FCA using a rolling three-year average of the Handy Whitman Index of Public Utility Construction.

³² The ISO's demand-side approach would provide a means for demand resource customers to purchase energy from the wholesale market at a real-time price. This would allow for DR participants to purchase power from the market when prices are low and voluntarily implement demand strategies when market prices are high.

The rules that the ISO has brought before the Markets Committee are available on the Markets Committee website. ([See proposed rules](#)).³³ ISO plans to work these rules through the stakeholder process and then file them with FERC on or before April 30, 2010. ISO has also committed to work with NECPUC to assist in the development of rules that reflect NECPUC's desired approach.

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Markets Committee Update – Two-Month Lookout

A two-month look-out has been posted to the [Markets Committee website](#) – this document outlines Markets Committee meeting dates, topics for discussion and potential votes over the next two months. ([See Markets Committee Two-Month Lookout](#)).³⁴

The Markets Committee will continue to be busy – it will continue to discuss Price Responsive Demand at the March 23 meeting and if a vote is not taken at that time, an additional meeting will take place on April 1 to vote on the PRD rules. Also, there will be a vote at the April 13-14 meeting on market rule revisions to provide further assurance against double recovery for VAR capacity costs. These revisions provide that, by submitting a Qualification Package, a Project Sponsor certifies that its offers will exclude the expected capacity cost payments under Schedule 2.

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2010 Economic Study Requests Due by First of April

ISO New England conducts economic planning studies each year as outlined in Attachment K of the ISO tariff.³⁵ Study requests are reviewed with stakeholders through the Planning Advisory Committee (PAC). The deadline to submit economic study requests is April 1.

Timeline for 2010 Economic Study Requests:

- | | |
|---|----------------|
| • Deadline to submit economic study requests: | April 1 |
| • ISO will contact requestors to confirm presentations: | April 8 |
| • Deadline to submit presentation materials: | April 15 |
| • Stakeholder presentations at PAC: | April 27 |
| • Discuss draft scope of work with PAC: | May 25 |

All communications to the ISO should be made to PACMatters@ISO-NE.com.

For additional information on the process for submitting study requests, please see [materials](#) presented to PAC on January 21, 2010.

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³³ See http://www.iso-ne.com/committees/comm_wkgrps/mrktls_comm/mrktls/mtrls/2010/mar9102010/a11_iso_presentation_03_10_10_r1.ppt to access ISO's draft rules.

³⁴ To see the Markets Committee Two-Month Lookout, please visit http://www.iso-ne.com/committees/comm_wkgrps/mrktls_comm/mrktls/agenda/2010/mc_agenda_forecast_2010_03_11_mar_10_apr_10.doc.

³⁵ See http://www.iso-ne.com/regulatory/tariff/sect_2/oatt/1-23-10_sect_ii.pdf page 626 for Attachment K of the ISO Open Access Transmission Tariff.

Planning Advisory Committee Update

The next meeting of the Planning Advisory Committee will be held Thursday, March 18, from 9:30 AM to 5:00 PM, at the Courtyard Marriott in Marlborough, Massachusetts. Please note this location is a change from the usual PAC venue. Advanced registration for all PAC meetings is required and directions and dial-in information are available when you register. Please register [online](#).

The March 18 agenda includes an update on the ISO's long-term (10-year) energy and peak forecasts and will feature a presentation on the economic outlook by representatives of *Moody's Economy.com*.

The forecast shows that the recession has been more severe than forecasted in December 2008 and this has resulted in lower projections for annual energy consumption and seasonal peak demand. In addition to the load forecast, the ISO will review other inputs to the 2010 Regional System Plan (e.g., the amount and types of installed capacity, demand resources, resource availability, and ICR requirements). Updates on studies for the Hartford and Greater Boston areas are also planned. Meeting [materials](#) are being posted in advance of the meeting.

Future PAC meetings

Please save the following dates for future PAC meetings:

- April 27;
- May 25;
- June 16;
- July 15; and
- August 12.

Overview of the planning process

At the March 8 PAC meeting, the ISO kicked off the 2010 Regional System Plan with an overview of the regional planning process and the draft RSP10 scope of work. The [materials](#) include a quick-reference table summarizing the requirements of [Attachment K of the ISO's Open Access Transmission Tariff](#).³⁶

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2009 Economic Study Report

ISO New England has posted the final 2009 economic study report, [New England 2030 Power System Study: Report to the New England Governors](#). The report has undergone final editing and formatting, but the substance of the report is unchanged from the draft report.

The report summarizes the results of scenario analyses with significant development of renewable sources of energy within New England. As an example, New England could obtain 12% of its total electric energy needs in 2030 if 5,500 MW of offshore and inland wind resources were developed. The study also evaluates scenarios that would increase New England's ability to import power from eastern Canadian provinces. The report includes estimates of the transmission that would be required to move wind resources from remote locations to load centers in New England. The report also evaluates generator retirement and repowering scenarios and large-scale integration of demand resources, plug-in-electric vehicles, and generic electric energy storage technologies. (See http://www.iso-ne.com/committees/comm_wkgrps/prtcpnts_comm/pac/reports/2010/index.html to access this report).

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³⁶ For Attachment K, please see page 6226, http://www.iso-ne.com/regulatory/tariff/sect_2/oatt/1-23-10_sect_ii.pdf.

2010 Pool Transmission Facilities Catalog – A Look at Regional Transmission Lines³⁷

Earlier this year, ISO New England released its [2010 Pool Transmission Facilities Catalog](#). This document details line miles within the ISO New England control area by transmission organization for Pool Transmission Facilities³⁸ only. This catalog includes lines in service as of January 1, 2010.

The chart below provides a high-level summary of the 2010 Pool Transmission Facilities Catalog.

Company	Miles of 345 KV	Miles of 230 KV	Miles of 115 KV	Miles of 69 KV	Total Miles
Bangor Hydro Electric	84.4		80.35		164.75
Braintree Electric Light			9.44		9.44
Central Maine Power	184.4		958.38		1142.78
Connecticut Light & Power	489.9		1108.9		1598.8
Connecticut Municipal Electric			6.2		6.2
Florida Power & Light	0.6				0.6
Holyoke Gas & Electric			9.17		9.17
National Grid	380.23	366.48	1269.06	340.48	2356.25
Norwood Municipal Light			11.17		11.17
NSTAR	270.27	35.8	472.1		778.17
Public Service Company of NH	252.1	8.4	608.7		869.2
Reading Municipal Light			0.5		0.5
Taunton Municipal Light			1.8		1.8
United Illuminating	17.43		111.78		129.21
Vermont Transco	114.7	32.48	430.25	10.41	587.84
Western Massachusetts Electric	104.5		283.2		387.7
Maine Electric Power	182.03				182.03
	2080.56	443.16	5361	350.89	8235.61

Similar information is available for transmission miles for all of the regional system operators and independent system operators in North America. This information developed in 2009 at the request of ISO New England is available at the [ISO-RTO Council website](#).³⁹

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³⁷ See http://www.iso-ne.com/trans/planning/ptf_cat/10ptf021910_final.pdf for the 2010 Pool Transmission Facilities Catalog.

³⁸ Pool Transmission Facilities (PTF) are transmission lines (69 KV or greater), associated equipment and facilities that are controlled by ISO New England. PTF do not include those lines and facilities that serve local load only or are generator leads (which are defined as radial transmission from a generator bus to the nearest point on the PTF). At least once a year ISO will review the status of transmission lines and related facilities. See ISO New England, FERC Electric Tariff No. 3, Section II. H. II. 49. See http://www.iso-ne.com/regulatory/tariff/sect_2/oatt/2-1-09_sect_ii.pdf.

³⁹ See www.isorto.org/atf/cf/%7B5B4E85C6-7EAC-40A0-8DC3-003829518EBD%7D/ISO_RTO_At_A_Glance.pdf.

ISO SPEAKING ENGAGEMENTS and OTHER MEETINGS OF INTEREST

March 17, 19, and 23, 2010

EIPC Webinars Regarding Stakeholder Steering Committee, Participation via web.

Please register online at:

- 3/17, 10 AM, <https://eipconline.webex.com/eipconline/onstage/g.php?t=a&d=645467294>
- 3/19, 11 AM, <https://eipconline.webex.com/eipconline/onstage/g.php?t=a&d=648205064>
- 3/23, 11 AM, <https://eipconline.webex.com/eipconline/onstage/g.php?t=a&d=642898154>

March 18, 2010

Consumer Liaison Outreach Meeting in Maine. Maine PUC, Hallowell, Maine.

ISO New England Speaker: Carolyn O'Connor, Director External Affairs.

March 25, 2010

ISO on Background – Media Update, ISO New England, Holyoke, Massachusetts.

ISO New England Speakers: Gordon van Welie, President & CEO, Anne George, Vice President External Affairs & Corporate Communications, and Stephen Rourke, Vice President System Planning.

March 26, 2010

Vermont Law School Journal of Environmental Law Symposium, Vermont Law School, South Royalton, Vermont.

ISO New England Speaker: Eric Wilkinson, External Affairs Representative.

April 7, 2010

Organization of PJM States Spring Meeting, Charleston, West Virginia.

ISO New England Speakers: Anne George, Vice President External Affairs & Corporate Communications.

See also: <http://www.opsi.us/index.html>.

April 27, 2010

2010 NYISO Symposium, Albany, New York.

ISO New England Speaker: Gordon van Welie, CEO & President.

FERC Commissioner Marc Spitzer will be the keynote speaker at this symposium.

More information available at <http://www.nyiso.com/public/2010Symposium/index.htm>.

May 16-18, 2010

2010 NECPUC ANNUAL SYMPOSIUM, Brewster, Massachusetts.

May 17, 2010

ISO New England Speaker: Gordon van Welie, CEO & President, will be part of a panel discussion relating to competitive markets, transmission and planning.

More information available at <http://www.necpuc.org/symposium.htm>.

May 17, 2010

3:30 PM to 5 PM

ISO New England's External Market Monitor David Patton and Internal Market Monitor David LaPlante will meet with state and federal regulator representatives and consumer advocates for their non-public meeting to discuss the 2009 annual market reports.

May 26-27, 2010

ISO-RTO Council Annual Board Meeting, Saratoga, New York.

June 8, 2010

17th Annual Northeast Energy and Commerce Association New England Energy Conference, Providence, Rhode Island.

ISO New England Speaker: Vamsi Chadalavada, Senior Vice President & COO.

More information available at http://www.necanews.org/dev/index.php?go=event_view&id=84.

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UPCOMING NEPOOL & ISO COMMITTEE MEETINGS OF INTEREST

The following charts contain tentative meeting dates for upcoming stakeholder meetings and other meetings of interest.

	<u>Participants Committee</u>	<u>Markets Committee</u>	<u>Reliability Committee</u>	<u>Planning Advisory Committee</u>	<u>Transmission Committee</u>	NECPUC Conference Call	Consumer Advocate Conference Call
March		23	17 22	18	24	15	16
April	9	13 14	26 29	27	28	12	20

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