

To: New England Stakeholders

From: Robert Ethier, Director of Resource Adequacy and Chief Economist

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Subject: Stakeholder Review Process for Attachments K and N

There are two important aspects of the Open Access Transmission Tariff (OATT) which the ISO expects to implement for the first time in 2008: the Market Efficiency Transmission Upgrades section of Attachment N and the Economic Studies portion of Attachment K.

Attachment N provides the criteria for determining whether a proposed transmission project sufficiently reduces electricity production costs and thereby is eligible to be rolled into the regional transmission rate as a Market Efficiency Transmission Upgrade. Attachment N has been part of the Tariff for a few years, but the Market Efficiency upgrade process has not yet been utilized. Attachment K requires that the ISO perform three economic studies of the regional electricity system and possible expansions each year, with the studies selected by stakeholders and the ISO. Attachment K was adopted in 2007 as part of the process of complying with FERC Order 890, with this year the first in which it will be exercised.

To ensure that all stakeholders are able to provide appropriate input to the execution and implementation of these sections of the OATT, the ISO plans to undertake a stakeholder review process that will provide a forum for the discussion of these sections of the OATT. These discussions will be held as part of a single stakeholder process because of the inter-related nature of the two sections. The initial scope will be to develop a public review process that will allow stakeholders to have input to the methodology for the economic studies and the criteria/standards for prioritizing and selecting studies to be conducted. The ISO expects that the working group will be chaired by a representative from each of the following: NECPUC, NEPOOL, and the ISO. Depending on the scope of work and pace of deliberations, the group may meet periodically through the end of 2008.

The ISO expects to immediately begin the process of identifying the chairs of the working group in conjunction with NECPUC and NEPOOL, and to schedule the first meeting of the working group in March. The ISO expects that the first meeting will focus on Attachment N and the conduct of studies to determine if a proposed transmission upgrade meets the requirements to become a Market Efficiency Transmission Upgrade.