

To: New England Stakeholders

From: Steve Whitley, Chief Operating Officer, ISO New England
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Subject: Establishment of Scenario Planning Stakeholder Process and Notice of Initial Meeting on November 9, 2006

Background

Adequate and reasonably priced electricity is essential for the region's economic well-being. Since the late 1990's, the region has relied on competitive markets to provide supplies of electricity. Under markets, significant new capacity has been added and the reliability of the system has been maintained. However, virtually all of this generation has been fueled by natural gas and currently the region is heavily dependent on natural gas and oil for its electric supply. As the region plans for its long-term capacity needs (such as what will be necessary by 2020 and beyond) significant additional supply-side and demand-side resources will be required. This need raises a number of policy questions that require consideration and review by regional stakeholders in preparing for the future.

Purpose

ISO New England proposes to support the region's stakeholders and policy makers' consideration of issues by hosting a process to explore various resource development scenarios. The process will examine different scenarios of future mixes of fuels and technologies for electric supply resources, and their implications for a number of reliability, economic and environmental outcomes of importance to the region. The purpose of the analysis will be to demonstrate the effects of alternative electricity development paths and their implications, but it will not recommend a long-range resource plan. The study results will be used as follow-up by the stakeholder group to identify and collectively discuss the associated policy issues raised by each scenario.

Scope

The exercise will examine the relative reliability, environmental, and economic attributes of five different scenarios for a specific future demand level. Limited sensitivity analysis will be conducted to reflect changes in fuel price assumptions and other factors. The scenarios will involve different mixes of supply-side technologies and fuels, and energy efficiency resources. The examination will also identify, in broad terms, the improvements in energy infrastructure that would be needed to support each of the scenarios. Another key output of the review and stakeholder discussions will be the identification of metrics for assessing and comparing the results of the various scenarios. This will

serve as key input to subsequent stakeholder meetings that will identify regulatory, market, or technical barriers to certain resource options.

Format

A regional working group of electricity market participants, economic and environmental regulators, ISO staff, consumer representatives and other stakeholders will be convened on a regular basis to collaborate on regional system needs, future resource development options and the associated impacts and outcomes. The stakeholder setting will also support identification and discussions of the policy issues associated with identified barriers. As the overall initiative is an iterative one and will build with each meeting, stakeholders are urged to commit themselves to active participation in all of the sessions in order to contribute most effectively.

The stakeholder process will be guided by a steering committee comprised of representation from the New England Conference of Public Utilities Commissioners (“NECPUC”), the New England Power Pool (“NEPOOL”) and ISO New England. As the sponsor of the process, the ISO will provide the forum and the analytic work as a platform for various other parties to review the issues and outcomes for New England’s electric system.

Next Steps

The kick-off meeting for the scenario planning stakeholder process will take place on Thursday, November 9th at the Doubletree Hotel in Westboro, MA beginning at 9:30 a.m. The agenda for this meeting will include discussion of the objectives and scope of the scenario analysis initiative, the proposed scenario analysis process and schedule, background on regional needs and a description of the ISO’s strawman proposal for the five electric resource scenarios. Subsequent stakeholder meetings will determine metrics for comparing the various scenario results, review outcomes of modeling results and identify sensitivity analyses. Environmental and renewable power requirements will also be a part of this process.

The final agenda and meeting materials will be distributed to stakeholders no later than November 3rd. Please register for the kick-off meeting through the ISO-NE [Calendar](#).

If you have any questions, please contact Carolyn O’Connor, ISO New England’s Director of External Affairs, by email at: coconnor@iso-ne.com.

Thank you.