

**ISO CHIEF EXECUTIVE OFFICER REPORT
ON ISO BOARD MATTERS
AT JUNE 4, 2010 NEPOOL PARTICIPANTS COMMITTEE MEETING**

Mr. Gordon van Welie summarized that since the May 7, 2010 report the Board Audit and Finance Committee, Board Markets Committee, System Planning and Reliability Committee (SPAR), Nominating and Governance Committee, and the full Board each met once. In addition, the Board met with representatives of NECPUC and NEPOOL in conjunction with the NECPUC Symposium.

Audit and Finance Committee

Mr. van Welie reported that the Board Audit and Finance Committee met on May 13. He indicated that the Committee received a report from the ISO's Internal Audit Department (Department) regarding progress on the SAS 70 audit and various other internal and external audits. He reported that the Director of the Department also discussed a recent meeting with the NEPOOL Audit Management Subcommittee (NAMS). He reported that Mr. Robert Ludlow provided an update on 2010 collections and spending, which remained consistent with budgeted amounts. On the topic of the 2010 budget, the Board Committee discussed risks, including the impact of the FCM re-design. He reported that the Committee also reviewed and approved the ISO's unaudited financial statements for the first quarter, after discussing disclosures made pursuant to internal controls. Continuing, he said that the Committee then reviewed the proposed five-year business plan and discussed various scenarios for the 2011 budget. He reported that the Committee asked ISO management to prepare two high-level budget scenarios – one scenario that would presume generally maintaining the *status quo* with regard to service levels (to include normal inflationary effects and the impact of prior commitments) and a second scenario that would allow for further growth in budget to address more fully the increasing demands on the

organization. In this context, he noted that the Committee discussed concerns about the ISO's ability to absorb more work and growth. The Board Committee then reviewed interest rates on the ISO's debt and agreed to maintain its debt at variable rates, which he reported to have saved the ISO more than \$3.2 million over the previous five years relative to fixed rate debt. Last, Mr. van Welie noted that the Committee reviewed the ISO's draft 2009 Form 990 tax return, which would be filed later in the fall, and a matter related to compliance with the ISO Code of Conduct.

Board Markets Committee

Mr. van Welie reported that the Board Markets Committee met on May 10 in Holyoke. At its meeting, that Committee received its regular reports on market monitoring activity, reliability costs, market seams, the NEPOOL Markets Committee, and the Forward Capacity Market (FCM) and Price-Responsive Demand (PRD) projects. During the Internal Market Monitor report, Mr. David LaPlante discussed the relatively low regulation market prices and recent variances between Real-Time and Day-Ahead prices, and the Committee considered related market design issues. During the FCM update, Mr. van Welie reported that the Board Markets Committee discussed the April 23 FERC order on the FCM Re-Design Changes and related complaints and agreed to schedule a special meeting to discuss the ISO's response. He said that, during the PRD project update, the Committee reviewed the ISO's and Market Monitors' proposed responses to FERC's Notice of Proposed Rulemaking on Demand Response Compensation (RM10-17). In addition to the regular reports, the Board Markets Committee reviewed the final draft of the Internal Market Monitor's Annual Markets Report and the first draft of the External Market Monitor's Annual Markets Report.

System Planning and Reliability Committee (SPARC)

Mr. van Welie reported that SPARC met on May 19. At its meeting, the SPARC reviewed two Capacity Deficiency Events and the 2010 summer outlook more generally, as well as the April 2010 update to the Regional System Plan (RSP) Project List. The SPARC discussed requests for economic studies and the Department of Energy's Transmission Congestion Study, which indicated that New England was no longer considered congested. Last, the SPARC received a report on the status of the work of the Eastern Interconnection Planning Collaborative (EIPC), Kleen Energy, Vermont Yankee, Cape Wind, and FCM "Go-Live" readiness.

Nominating and Governance Committee

Mr. van Welie reported that the Nominating and Governance Committee met on May 19 to nominate a Chairman of the Board and a slate of directors for election by the Board.

Full Board

Mr. van Welie reported that following the Nominating and Governance Committee meeting, the full Board of Directors met as the members of the Corporation and elected a slate of directors, effective October 1. The elected slate consisted of David Vitale, Raymond Hill, and Phil Shapiro. The Board then elected David Vitale as Chairman of the Board, also to become effective on October 1. After the elections, the Board received reports from the various Committees of the Board. Mr. van Welie reported that the Board spent the rest of its meeting reviewing the discussions with NEPOOL and NECPUC, which primarily related to FCM, PRD and impact analysis.