



ISO New England Outlook

A wholesale electricity
industry update

July 2008

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Please address inquiries to:
isone-outlook@iso-ne.com

Annual Reviews Conclude New England's Markets Were Competitive in 2007

Markets Guide Investment in Much-Needed Power System Infrastructure

New England's wholesale electricity markets performed competitively in 2007, according to recent reports by both ISO New England's internal and independent market monitors.

The *2007 Annual Markets Report* provides a comprehensive review of the markets by the ISO's Internal Market Monitoring Unit. The 206-page state-of-the-market report concludes that New England's markets provided a competitive environment for wholesale energy transactions in 2007 and responded effectively to changing supply and demand conditions. The report also concludes that New England's markets provided the price signals needed to guide investment in New England's electricity infrastructure while supporting the reliable operation of the region's bulk power grid. • *Continued on page 7*

Meetings Aim to Overcome Obstacles; Keep Demand-Resource Integration Moving Ahead

New England is considered to be at the forefront of demand-resource development due in part to the region's newly established capacity market which allows demand-side resources to compete with traditional generation. The new market also allows a broader array of demand resources to participate, including energy-efficiency resources. • *Continued on page 8*

Mass. Passes Comprehensive Energy Bill

Gov. Signs State's Most Expansive Energy Policy Legislation Since Restructuring

After almost a year of negotiation, the Massachusetts House and Senate finalized an energy plan that makes energy efficiency and renewable energy a top priority. Signed by Governor Deval Patrick on July 2, 2008, "An Act Relative to Green Communities" is the Commonwealth's most expansive energy policy legislation since restructuring over a decade ago.

As the nation and the region seek ways to curb greenhouse gases, the Commonwealth's energy plan sets aggressive clean energy goals by 2020: 25 percent of the state's capacity and electric energy load must be met with clean, demand-side resources; 20 percent of the state's electric load must come from new, renewable generation; and greenhouse gas emissions in the state must be reduced by 20 percent from 1990 levels. In addition, the implementation of a green communities program will help to reduce total energy consumption in the state by at least 10 percent by 2017. • *Continued on page 9*

Changing of the Guard: ISO-NE Bids Fond Farewell to Admired COO; Welcomes New Leadership



From President and CEO Gordon van Welie ●●●

I am pleased to announce the selection of Vamsi Chadalavada, PhD, as Senior Vice President and Chief Operating Officer (COO), effective July 9, 2008. Dr. Chadalavada will be responsible for the day-to-day management of ISO New England system operations, system planning, wholesale markets development and operations, and information services.

Vamsi has been a key member of the ISO's senior management team since he joined the company almost five years ago as Senior Vice President, Market and System Solutions. His expertise in energy management and wholesale market systems, market design, and project delivery has been well tested over the past few years as the ISO worked to develop the region's suite of wholesale electricity markets.

Vamsi replaces Stephen G. Whitley who retired from ISO New England on July 7, after being named President and Chief Executive Officer of the New York ISO.

Steve was an integral member of the ISO's senior management during his eight-year tenure here, providing strategic advice and operational direction. He was instrumental in developing a strong foundation for power system planning that has led to significant investment in new transmission. He was a part of the ISO New England team that launched the competitive wholesale marketplace and developed robust demand-response programs. Steve helped develop collaborative and productive relationships with ISO New England market participants and state regulators. He was a trusted friend and leader to all ISO employees.

Although we will miss Steve here in New England, we look forward to working with him as our neighbor at the New York ISO. On behalf of everyone at ISO New England, we wish Steve much happiness and success in his new position and welcome Vamsi into his new role. ●●●

ISO-NE Business Planning Process Underway for 2009

In mid-June, ISO New England distributed its draft Five-Year Business Plan to the New England Conference of Public Utilities Commissioners (NECPUC) and to the New England Power Pool (NEPOOL) for discussion at the NEPOOL Participants Committee Summer Meeting held in Chatham on June 21-25, 2008. The plan outlines the company's objectives and projects for years 2009-2013.

Based on stakeholder feedback, the ISO will finalize the business plan. The ISO will then align the projects and activities identified in the plan for the coming year with funding amounts to produce an annual budget. Stakeholders again have the opportunity to review the operating and capital budget before the ISO finalizes and files it with the Federal Energy Regulatory Commission (FERC) (see sidebar for key dates in the annual budget process).

This year's plan builds upon last year's, with the addition of two activities related to economic transmission studies and an exploration of the possibility of closer coordination with New Brunswick. Both of these proposed activities arise from a number of discussions with stakeholders on how best to achieve the optimal balance among reliability, economic, and environmental goals in the region (read related article in the [May 2008 issue](#) of *ISO New England Outlook*).

Read more about ISO New England's business planning process in the [August 2007 issue](#) of *ISO New England Outlook*. ●●●

Key 2008 Dates in 2009 Budget Process

August 11: ISO-NE Board of Directors' Audit & Finance Committee reviews draft budget

August 21: NEPOOL Budget and Finance Committee reviews draft budget

September 4 (tent): NECPUC reviews draft budget

September 5: NEPOOL Participants Committee reviews draft budget

October 3: NEPOOL Participants Committee votes on budget

October 10: ISO-NE Board votes on final budget

October 31: ISO-NE submits budget filing to FERC

December 31: Date by which FERC will issue an order on the 2009 budget

Building on FCM Success

Second Forward Capacity Auction Set for December 2008 Has Strong Show of Interest

ISO New England staffers and market participants are building on the success of the first Forward Capacity Auction with preparations for the second auction—known as FCA#2—scheduled for December 2008.

FCA#2 is designed to procure the capacity that will be needed in the 2011/2012 capability year (from June 2011 through May 2012). The cost of new entry for the second auction is set at \$6/kW-month, compared to the \$7.50/kW-month set for the first auction.

New England's first Forward Capacity Auction, held over three days in February, selected more than the 32,305 MW of capacity that will be needed in the 2010/2011 timeframe, including almost 1,200 MW of new demand resources. That auction also cleared 626 megawatts (MW) of new supply projects.

For FCA#2, resources representing more than 16,300 MW of supply and demand resources sent in initial “show of interest” submissions outlining their proposal's size, location, and construction status. More than 12,000 MW remain active in the qualification process.

Of the 12,154 MW of resources applying to participate in the second auction, supply resources constitute 6,251 MW or 52 percent, demand resources make up 1,254 MW or 10 percent, and imports comprise 4,649 MW or 38 percent of the total.

The breakdown of applications from supply resources by state is as follows:

- Connecticut, 3,663 MW or 59 percent
- Massachusetts, 1,819 MW or 29 percent
- Maine, 260 MW or 4 percent
- Rhode Island, 253 MW or 4 percent
- New Hampshire, 198 MW or 3 percent
- Vermont, 58 MW or 1 percent

Of the 1,254 MW of demand-side resources applying to participate in the auction, 639 MW or 51 percent are located in Massachusetts. Connecticut applicants represent 308 MW, or 25 percent of the total, while Maine has 114 MW or 9 percent, Rhode Island has 82 MW or 6 percent; New Hampshire has 79 MW or 6 percent; and Vermont has 32 MW or 3 percent.

Letters notifying new resources if they have qualified for the auction are scheduled to go out August 1. ISO New England will provide an informational filing to FERC in September. A mock auction for FCA#2 is scheduled for November 21 with the actual auction expected to begin on December 8. ●●●

FERC Explores Rising Cost of Electricity

On June 19, 2008, FERC's Office of Enforcement issued the presentation, “Increasing Costs in Electric Market.” In the presentation, FERC identified two major cost drivers responsible for increasing costs in the electric market— increased fuel costs and increased cost for new generation construction. FERC also acknowledged that high fuel prices are likely to remain in the short term.

In a statement about the presentation, FERC Chairman Joseph T. Kelliher said— “What can we do about price? We cannot change cost fundamentals, either for power plant costs or fuel costs. Coal prices and the costs of construction materials are set in a world market. Natural gas prices are still set on a regional basis, reflecting North American market fundamentals. The U.S. can improve energy efficiency and demand response, and FERC is acting in these areas.”

Chairman Kelliher added, “We can make sure prices are not a product of market manipulation or market power exercise. FERC's duty is to assure that wholesale electricity prices are just and reasonable... we will remain vigilant to assure the wholesale prices reflect market fundamentals, rather than manipulation.”

Read the presentation and statement on the [FERC Web site](#). ●●●

After Years of Study, the New England East-West Solution Is Unveiled

In May, National Grid and Northeast Utilities (NU) unveiled projects totaling \$1.5 billion that are designed to improve electricity flow from east to west in New England, bolster reliability in Rhode Island and Springfield, Massachusetts, and expand the ability to move power into and within Connecticut.

The New England East-West Solution (NEEWS) consists of four major, interrelated 345-kV projects: Greater Springfield Reliability Project, Rhode Island Reliability Project, Central Connecticut Reliability Project, and Interstate Reliability Project. The projects would be built primarily along existing transmission rights-of-way. Each of the projects also involves 115-kV transmission, substation, and equipment upgrades. Read more about the proposals on the [NU Web site](#).

ISO New England initially identified a need for system upgrades in this area of New England in 2005. Since that time, the ISO has completed a series of studies culminating in a needs assessment published in January 2008 and an options report published in April 2008. Through these analyses, the ISO and transmission owners identified dozens of options to solve the problems. Because the options chosen would have to work together to address a suite of issues, the resulting study was among the most complex and geographically far-reaching of any studies done of the New England grid in the last 20 years.

Further Review

After a need is identified and a preferred transmission solution is developed, a project still must undergo reliability, cost, and siting reviews.

Before a project can be built and put into service, the ISO must determine that it would not have an adverse impact on the reliability of the bulk power system. The ISO conducts this review with advisory input from the NEPOOL Reliability Committee. National Grid and NU are in the process of preparing the applications for these projects.

Transmission owners must submit a separate application to recover the costs of the projects. In New England, the costs of transmission projects that are shown to benefit the region are paid for by consumers throughout the region under a federally-approved tariff. The cost review process begins after the reliability review is complete.

Transmission owners must also obtain siting approval from the states. National Grid and NU are expected to submit siting applications for the various projects to Connecticut, Massachusetts, and Rhode Island state agencies in late 2008 and early 2009.

Construction is expected to begin in 2010 and run into 2013. The NEEWS projects will have been in development for about eight years by their expected operation date. ●●●

U.S. Department of Energy Holds Workshop in CT to Gather Input for 2009 Transmission Congestion Study

ISO-NE Presents Transmission Progress

The U.S. Department of Energy (DOE) held a regional workshop in Hartford, Connecticut, on July 9, 2008, as part of the information-gathering phase of its 2009 electric transmission congestion study. The meeting is one of six the DOE is holding across the country.

The 2005 Energy Policy Act directs DOE to complete the study every three years to provide detailed analysis of the state of transmission capacity across the United States. As part of the study, DOE may designate a geographic area with transmission constraints or congestion as a national interest electric transmission corridor. The 2006 study identified New England as a “congestion area of concern,” but stopped short of identifying it as a corridor.

The Hartford meeting included representatives from New England and New York. Stephen J. Rourke, ISO New England’s Vice President of System Planning (pictured), participated in a panel discussion.

Rourke [highlighted](#) the fact that the regional system planning process has resulted in the completion of four major 345-kV transmission projects in four states, with two additional projects under construction. The ISO’s planning process has identified the need for more than \$6 billion of additional transmission investment over the next decade to ensure the region meets reliability standards. The ISO believes that the existing planning process in New England, which includes active participation from the states, is working to get needed transmission built.

The second Congestion Study is due in August 2009. Read the [DOE press release](#). ●●●



ISO-NE Reviews Cost Allocation for SWCT Transmission Project

M-N Is One of the Largest Projects Identified Through the Regional System Plan

ISO New England held an open meeting June 10, 2008, for the New England states and other stakeholders to review the costs associated with the Middletown-Norwalk (M-N) Project in southwest Connecticut. Northeast Utilities and United Illuminating (UI) submitted a joint transmission cost allocation (TCA) application in April seeking regional cost support for the \$1.4 billion project. The M-N Project is one of the larger projects of the nearly \$8 billion of transmission investment identified in the Regional System Plan needed to meet reliability standards over the next decade.

The ISO reviews transmission project costs and determines, with stakeholder input, whether those costs are reasonable, in accordance with good utility practice, and justified for regional cost support. Projects (or elements of projects) that do not provide regional benefits are considered “localized costs” and are not paid for by the region. For projects that are found to provide regional benefits, the states share in the costs of those projects based on their consumption of electricity. Therefore, the states are active in the review of these costs.

In addition to the recent stakeholder meeting, NU and UI will present the TCA application to the NEPOOL Reliability Committee (RC) for further review after which the RC will make an advisory recommendation to the ISO. The ISO requests several rounds of data from the transmission owners as part of the TCA review. Once that process is complete, ISO will issue a draft determination letter for comment before issuing a final determination. There is no deadline for the final determination.

As a precursor to the cost review, a transmission owner submits a proposed plan application (PPA) to ISO for reliability review. A transmission owner must demonstrate that a project would not have an adverse impact on the reliability of the bulk power system before construction can begin, and before proceeding to cost review. The ISO completed the reliability review and approved the PPAs for the M-N Project in 2006.

About M&N

The M-N project, which is the second phase of a major 345-kV extension into southwest Connecticut, is under construction and is expected to be in service in 2009. The project includes 24 miles of 345-kV underground cable and 45 miles of 345-kV overhead transmission, plus reconfiguration of existing 115-kV transmission and substation improvements.

The [M-N Project TCA application](#) and [NU/UI's presentation](#) from the June 10 stakeholder meeting are posted on the ISO Web site.●●●

ISO New England is the independent, not-for-profit corporation responsible for reliably operating New England's 32,000 megawatt bulk electric power generation and transmission system, overseeing and ensuring the fair administration of the region's \$10 billion wholesale electricity markets, and managing comprehensive regional electric power planning.



Published by:
ISO New England Inc.
One Sullivan Road, Holyoke, MA 01040
www.iso-ne.com
isone-outlook@iso-ne.com

Mark Your Calendar for the September RSP Public Meeting

ISO New England will hold its annual Regional System Plan public meeting at the Colonnade Hotel in Boston on September 4, 2008. The public meeting offers an opportunity for states and other stakeholders to discuss the report's latest findings and recommendations with ISO staff and representatives of ISO's Board of Directors before the report is published in October. Advanced registration is required and available through the [ISO's Web calendar](#).

The RSP is the culmination of the year-long planning process in which hundreds of stakeholders representing a variety of interests throughout New England participate through the Planning Advisory Committee (PAC). PAC has held 10 meetings so far this year.

The ISO will issue a draft of the *2008 Regional System Plan* (RSP08) in early August to the PAC for discussion at a meeting on August 19, 2008. The ISO will then issue a revised draft prior to the public meeting.●●●

ISO-NE Market Monitor Reaches Out

Explains Role in Marketplace and Provides Update on State of Markets

Hung-po Chao, ISO New England's former Director of Market Monitoring and now Director of Market Strategy & Analysis, spent the last few months meeting with regional stakeholders and state and federal regulators to explain the role of the Market Monitoring Department as well as to provide the annual update on the markets (see related article on page 1).

FERC Technical Conference

Chao was joined earlier this month by Gordon van Welie, President and CEO, at a technical conference in Washington, D.C., called by FERC to review the state of regional wholesale electricity markets.

While Chao reviewed the key findings of the *2007 Annual Markets Report* van Welie told the commissioners that, "Efficient and fair markets with transparent information and open access to the transmission grid are providing the price signals needed to build infrastructure that will ensure reliability and keep up with consumer demand."

Van Welie noted that the tangible benefits from these price signals include the addition of about 10,000 MW of new generation since markets were launched in 1999, about \$1.2 billion invested in over 200 transmission upgrades since 2002, and the introduction of more than 1,700 MW of demand-side resources into wholesale competition.

NEPOOL Summer Meeting

Chao presented the 2007 Annual Markets Report to the NEPOOL Participants Committee at its annual summer meeting in Chatham, Massachusetts, at the end of June. His presentation focused on the performance of the New England energy markets, the state of competition, and ISO's priorities for the coming year.

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ISO-NE Symposium to Focus on Regional Energy Goals

Today's higher electricity bills reflect the combination of volatile fuel prices, increasing demand, and investment in needed transmission projects. New environmental standards could increase costs further.

Commercial and industrial energy users are seeking creative ways to gain more control over energy costs, while policymakers are weighing how to effectively balance economic and environmental concerns and continue to ensure that residents and businesses have a reliable supply of electricity.

To help answer pressing questions about the region's energy challenges, ISO New England will host a symposium on September 18-19, 2008, at The Waterfront Renaissance Hotel in Boston. Called *Lights, Power, Action!*, the conference will bring together some of the top minds in the industry to discuss the strategies the region must pursue to meet New England's future energy needs.

The symposium will feature a keynote speech by FERC Chairman Joseph Kelliher and is expected to attract hundreds of energy experts, chief executives, legal and financial

professionals, regulators, and legislators from the six-state region, as well as other stakeholders from around the country. It will also include a vendor showcase featuring exhibits of the latest technologies and services that could help the region better utilize resources.

The agenda this year emphasizes demand resources—with special breakout sessions dedicated solely to this topic. Integrating demand resources into the power system requires new technical and communications solutions that are being developed by the ISO and numerous public and private organizations. These customer-side developments will be addressed by experts on the front lines of the growing demand-resource equation.

Experts will also discuss the role electricity generated outside New England's borders will play in meeting our supply needs and what the potential costs and benefits will be of expanding trade.

Visit the Web site below for more information and a full conference agenda. ●●●

**2008 REGIONAL ENERGY CONFERENCE
AND VENDOR SHOWCASE**

SEPT. 18 & 19, 2008 | Boston, MA
www.iso-ne-conference.com

Annual Markets Report...Continued from page 1

The *2007 Annual Markets Report* prepared by the ISO's Internal Market Monitoring Unit highlights three key developments in New England's electricity marketplace in 2007: the successful introduction of the Forward Capacity Market with improved investment incentives for electric energy supply and demand resources; transmission investment in southwestern Connecticut and Greater Boston that improved reliability and reduced costs; and several disruptions to natural gas delivery that affected reliability and pricing.

Other key findings in the *2007 Annual Markets Report* include:

- The cost of fuel continues to be the most significant factor in wholesale electricity prices
- After adjusting for fuel prices, the average wholesale price of electricity in New England rose 5.8 percent to \$45.15 per megawatt-hour (MWh). That compares to an average fuel-adjusted price of \$45.01/MWh from 2000 to 2006. The actual average wholesale electricity price rose 10.9 percent from \$62.74/MWh in 2006 to \$69.57/MWh in 2007
- Weather-normalized average electricity consumption grew by 0.9 percent while peak demand grew by 1.9 percent. Spikes in demand for electricity on peak hours require more resources to serve that demand for just a few hot days each year
- Enrollment in ISO New England's demand-resources programs grew by 162 percent, from 646 MW in 2006 to 1,693 MW in 2007
- Generator availability, which stood at 81 percent when wholesale electricity markets commenced in New England in 1999, hit a new high of 90 percent in 2007
- Average price separation among load zones continued to narrow in 2007. Average prices continued to be highest in Connecticut and lowest in Maine

The report notes that ISO New England detected and corrected design flaws in its Day-Ahead Load-Response Program in 2007. The report also recommends incremental improvements to design rules in the region's reserve markets, financial transmission rights markets, and Real-Time Demand-Response program.

Independent Monitor's Analysis

ISO New England's independent market monitor, David B. Patton, president of Potomac Economics, summarized his report in a [presentation](#) to the NEPOOL Participants Committee's annual meeting.

Patton concluded that New England's markets performed competitively in 2007, with little evidence that suppliers withheld resources to raise market prices. The independent market monitor's presentation notes that the wholesale markets overseen by ISO New England produce substantial savings, compared to the prior decentralized system, in several ways:

- Coordinated commitment of generation through the day-ahead market reduces the quantity of generation committed and commits the most economic generation
- Total dispatch costs are reduced by producing energy from the most economic supply and demand resources, managing congestion, and fully utilizing transmission capability
- The five-minute dispatch system provides more responsive and accurate control of power flows, improving reliability
- Transparent economic signals provided by the energy market guides short- and long-run decisions by participants and regulators.

Patton proposed a list of 13 improvements to New England's markets, including:

- Develop rules to allow demand-response resources to set price when they are needed to avoid a shortage
- Create additional local reserve zones in the real-time market to satisfy local reliability requirements more efficiently
- Develop provisions to explicitly coordinate the physical interchange between New York and New England in real time
- Modify rules to address payments made to generators called upon for local reliability.

Patton and the ISO's internal market monitor agreed that mitigation rules for out-of-market charges for generation "uplift" (daily reliability payments) should be modified. ●●●

Market Monitors Reach Out...Continued from page 6

In addition, Chao and David B. Patton, head of Potomac Economics and the ISO's Independent Market Monitor, met with NECPUC, FERC, representatives from the New England Attorneys General and the states' Consumer Advocates to discuss their market recommendations for the next year. This non-public meeting was held pursuant to Section III.A.11.3 of the tariff.

Meetings with PUCs

From March through June, Chao and Mario DePillis, Supervisor of Market Assessment in the Market Monitoring Unit, and Lisa Szlosek, Supervisor of Market Investigation in the unit, traveled throughout the region to meet with members of the Connecticut Department of Public Utility Control, Massachusetts Department of Public Utilities (MA DPU), Vermont Public Service Board, and the Maine and New Hampshire Public Utilities Commissions. The meetings, which were well received by the commissioners and staffers, were designed to answer questions from state regulators and to reinforce the importance of strong working relationships between the states and the Market Monitor. ●●●

DR Integration... *Continued from page 1*

The quantity of demand resources in the region is impressive—in fact the penetration of demand resources as capacity in the New England market is approaching 10 percent of the total resource base. This level could increase to 13 percent by 2011 as a result of the second capacity auction scheduled in December 2008 (see related article on page 3). Other regions are also seeing growth in demand resources and providers are actively seeking greater market access.

However, with growth in demand resources, new issues and challenges arise that must be addressed to ensure continued market efficiency and system reliability. Accordingly, policymakers and ISOs are contemplating improvements and clarification of the role demand resources can play in electricity markets.

PAC Dedicates Meeting to DR Integration

New England stakeholders have begun to identify issues that must be addressed to best integrate demand resources into the marketplace as a capacity resource. More than 100 New England stakeholders and state regulators convened on May 29, 2008, to discuss the potential impact that additional demand resources may have on power system operations, system planning, and market efficiency.

John Norden, ISO New England's Manager of Renewable Resource Integration, and Henry Yoshimura, ISO's Director of Demand Resource Strategy, presented the major challenges of integrating demand resources as they proliferate as a result of the Forward Capacity Market.

Norden and Yoshimura noted concern that demand resources have not been tested under performance requirements and the expected frequency of dispatch associated with the new capacity markets in New England.

Solutions to be advanced through the stakeholder process include proposed market rule and other changes related to dispatching demand resources in selectable blocks, providing more information to project sponsors about expected performance requirements, and improving communications infrastructure for certain resource providers.

The day-long meeting also addressed the idea of developing a risk-management strategy to avoid overreliance on demand-resource participation and negative impacts on market efficiency.

FERC Examines Role of DR in Markets

At a FERC technical conference, "Demand Response in Organized Electric Markets," (Docket No. AD08-8-000) held on May 21, 2008, Yoshimura described the results of the ISO's demand-response reserves pilot program, which illustrated some of New England's demand-resource challenges. He reported that the performance of demand response in this program varied substantially from one event to another and concluded that "more must be learned to allow us to develop better predictors of how much load relief such resources can provide on a daily basis."

At the same conference, ISO's Vice President of Market Monitoring (formerly Market Strategy) David LaPlante provided testimony outlining the importance of correctly valuing and compensating demand resources in order to maximize efficiency and reliability in the marketplace. He urged market rules that are governed by market principles and warned that if these are not followed "we risk inefficient production and consumption decisions. For example, if demand response is undercompensated, there will be too much supply and prices will be too high. However, if demand response is overcompensated, then efficient production will go unused, prices will be too low and investment in new resources may not occur."

LaPlante described obstacles to efficient pricing and greater demand-resource participation in the energy markets, including flat-rate retail tariffs and a lack of interval meters. He noted the challenge in the short term will be to develop mechanisms that appropriately value and compensate demand resources as the region works to remove these obstacles and pave the way for demand resources' full participation in the market.

FERC also discussed the use of demand resources in a proceeding concerning certain national reliability standards. (ER08-404-000) Commissioners Suedeen Kelly and Jon Wellinghof confirmed that as long as demand resources can respond to system conditions and meet comparable technical performance requirements, they should be recognized in industry standards as a tool the system operator can rely on in emergencies. The 10-member ISO/RTO Council filed comments in support of this recognition and supported the commissioners' view of a resource-neutral approach to meeting the standards (read the [May 2008 issue](#) of *ISO New England Outlook*).

New England's stakeholder process on these issues will continue through the summer and market rule changes are expected to be put forward early in the fall. ●●●



Mass. Energy Bill...Continued from page 1

Efficiency First

The bill promotes “efficiency first” goals, requiring utility procurements to first utilize energy efficiency and demand response that is cost-effective or less expensive than supply. In addition, the bill seeks to educate the public on efficiency by establishing pilot programs. The Energy Pay and Save program allows consumers to purchase and install energy efficiency or renewable energy products through a charge on their electricity bill, and the Smart Grid program will help residential and commercial customers track and curtail their energy usage. The goal of the Smart Grid program is to reduce customers’ peak and average loads by a minimum of 5 percent.

Electric or distribution companies will also be allowed to construct, own, and operate solar energy facilities—a maximum of 25 MW before January 1, 2009, and 50 MW after January 1, 2010. Such companies may also apply to the MA DPU for cost recovery.

RPS Amended

The bill amends the renewable portfolio standard (RPS) to create separate classes—similar to the standards of Connecticut, New Hampshire, and Rhode Island. The goal is to encourage and promote new, clean, and emerging technologies. The new standards require that a minimum percentage of an electricity supplier’s sales use Class I (new renewable resources and hydro up to 25 MW), Class II (older renewable resources and hydro up to 5 MW) and alternative portfolio standards (coal gasification, combined heat and power, flywheel

storage, and other resources determined by the Department of Energy Resources). Under the new standards, retail suppliers are also required to provide a minimum percentage from new on-site renewable energy generating sources. This may include behind-the-meter and other similar categories of generation.

Another provision would require electricity companies to enter into long-term contracts (10-15 years) with renewable generators.

Renewable Imports

The legislation also establishes criteria for renewable imports and corresponding renewable credits. To receive RPS credit, the generating source providing the imported energy must be from a control area adjacent to ISO New England and must be a committed capacity resource. The RPS credit will only be given to renewable energy actually generated and delivered, and will be reduced by any exports from the New England control area. However, before the import rules go into effect, the MA DPU will assess the feasibility of implementing the deliverability and applicable RPS credits and report the findings and proposed regulations by November 1, 2008. The rules will go into effect once the DPU issues an affirmative report.

New Office of Ratepayer Advocacy

The legislation creates the office of ratepayer advocacy. Under the jurisdiction of the Attorney General, the new office will allow her to intervene, appear, and participate in proceedings on behalf of ratepayers in connection with any matter involving rates, charges, prices, and tariffs of companies under the jurisdiction of the MA DPU and the Department of Telecommunications and Cable. The Attorney General already has this authority, but this new provision creates a separate office and staff to handle the cases.

Related Bills on Ocean Management and Green Jobs

The Massachusetts Legislature has also worked on two other energy-related bills—one regarding ocean management and a second regarding “green jobs”. On May 28, 2008, Governor Patrick signed S. 2699, “A Bill Relative to Oceans” which will consolidate all permitting decisions for development in state-controlled waters into a single ocean management plan. No renewable projects will be sited in the state’s ocean sanctuaries—defined as the entire coastline except for a stretch from Boston Harbor to Marshfield—until the ocean management plan is complete and the proposed development is deemed “appropriate” for the region where it is proposed. S. 2699 has no bearing on the proposed Cape Wind project because it is proposed for federal waters. The ocean management plan is to be completed by December 31, 2009.

H. 4844, “An Act Relative to Green Jobs,” is a five-year, \$65 million plan to stimulate development in the clean energy sector. The legislation awards \$5 million in annual grants for clean energy research and development, allocates \$2.5 million annually for entrepreneurial assistance and workforce development, and establishes the Massachusetts Clean Energy Technology Center. The center will develop a statewide plan to organize training facilities on state-owned land for the installation and operation of renewable generating facilities. The goal is to create over 13,000 clean energy sector jobs over five years.

The Massachusetts energy bills are just a few that are being considered throughout New England. Vermont and Connecticut have both recently passed energy bills to reduce greenhouse gases, and Rhode Island is close to finalizing legislation relating to net metering and establishing long-term contracts with renewable resources. ●●●