press release

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ISO New England's Annual Assessment Stresses Need for Continued Enhancements to Regional Power System

Power Supply Proposals, New Transmission, and Greater Energy Efficiency Are Positive Signs, but More Is Needed

Holyoke, MA – October 26, 2006 – ISO New England Inc., the operator of the region's bulk power system and wholesale electricity markets, today released the 2006 Regional System Plan (RSP06), as approved by the ISO Board of Directors.

RSP06 is a comprehensive assessment of the needs for generating and transmitting electric power in New England through 2015. The plan identifies the amount and type of additional electricity generation resources, transmission infrastructure, and energy efficiency required to supply New England's growing demand for electric power.

Key points of RSP06 include:

- Growth in Electricity Use – Peak demand for electricity in New England is projected to grow 1.9% annually through 2015, an increase of approximately 5,000 megawatts (MW) in 10 years.
- Generating Capacity – New England will need an additional 170 MW of generating resources by 2009 and 4,300 MW regionwide by 2015. Power system reliability in Connecticut remains a particular concern.
- Transmission – Although the transmission system has been upgraded in some locations, the need for more than $3.5 billion of additional transmission investment has been identified throughout the region to relieve bottlenecks, simplify system operations, and enable more efficient movement of competitively priced electricity.
- Fuel Diversity – To stabilize electricity costs and assure system reliability, New England must reduce its dependence on natural gas for generating electricity. In addition, more gas-only generation must acquire the capability to use an alternate fuel; new sources of natural gas are needed, including liquefied natural gas (LNG); and power producers should firm-up their natural gas supply and delivery contracts.

- Electricity Cost – The region's reliance on natural gas closely ties the price of electric energy to the price of natural gas. Balancing the region's resource mix through more baseload generators with low marginal production costs can help control electric energy costs and price volatility. Increased conservation, energy efficiency, and demand response also help control electricity cost and ensure reliability.

"As New England's appetite for electricity continues to grow, the region will need ongoing enhancements to its electric power system," said Gordon van Welie, President and CEO of ISO New England. "At the same time, we are pleased to see significant progress in strengthening the region's wholesale electricity markets and bulk power system."

Major improvements to the region's energy infrastructure include the following:

- Investors have filed proposals for more than 35 new power generation projects with ISO New England since mid-2005, representing more than 4,000 MW of much needed regional generating resources.
- Five high-voltage transmission upgrades are currently underway in major population centers, representing more than $2 billion in new investment. Since 2001, more than 100 transmission reinforcement projects have been completed, with additional enhancements planned.
- Demand-response programs, which provide financial incentives for large energy users to reduce their use of electricity when supplies are tight, have grown three-fold in the past three years. In fact, the region's demand-response resources enabled ISO New England to maintain power system reliability during the heat wave this past August.

RSP06 also provides findings of cost-impact analyses of resource-expansion and demand-reduction scenarios in New England. For example, adding 1,000 MW of baseload generating resources, such as nuclear or new coal technologies, would save approximately $600 million in electric energy costs each year. Reducing peak-period electricity use by 5% would reduce consumer electricity costs by approximately $490 million annually, systemwide production costs by approximately $360 million, and total generating capacity costs by approximately $90 million.

RSP06 is the result of a yearlong collaborative process with industry stakeholders, including state regulators, transmission owners, and other market participants.

The RSP06 is available on ISO New England's Web site at http://www.iso-ne.com.

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