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## Wholesale Marketplace Helping to Achieve Long-term Power System Reliability Goals

### ISO New England's First Forward Capacity Market a Success; Auction Attracts Investment, Increases Role of Demand Resources, and Decreases Costly Reliability Agreements

Holyoke, MA—February 13, 2008—New England's first Forward Capacity Market (FCM) auction has secured a blend of new and existing generation and demand-side resources to supply the 32,305 megawatts (MW) the six-state region will need in the 2010 to 2011 timeframe. The winning mix illustrates the market's effectiveness in addressing future reliability needs by encouraging new investment, demand-side participation, and maintenance of existing resources. ISO New England, which developed and ran the three-day auction, operates the region's bulk power system and wholesale electricity markets.

"New England's competitive wholesale markets are entering a new era," said Gordon van Welie, ISO New England President and CEO. "We are pleased with the participation and smooth execution of this first auction. This launch creates the market stability needed to encourage the long-term development of New England's bulk electric power system in the most efficient manner possible."

#### Forward Capacity Market Auction Results

Some 39,155 MW of resources from new and existing demand- and supply-side resources competed in the auction's eight rounds, which ran from February 4 to February 6, 2008. Notable highlights regarding the resource selections include the following:

##### New Resource Results

- More than 1,813 MW of new supply- and demand-side resources were selected as a part of the auction. Of the new resources chosen, 1,188 MW represent new demand-side projects, such as energy efficiency, demand response, and distributed generation, and 626 MW represent new supply projects.
- New resources are concentrated in areas of high electricity demand. Projects located in Connecticut account for 592 MW of the total new resources, Maine 170 MW, Massachusetts 757 MW, New Hampshire 74 MW, Rhode Island 99 MW, and Vermont 121 MW.

##### Existing Resource Results

- Existing power plants in New England fulfilled the largest share, accounting for 30,239 MW of the required 32,305 MW total.
- Existing demand resources selected in the auction fulfilled 1,366 MW of the 2010 to 2011 requirement.

**Total new and existing supply- and demand-side resources by state (in megawatts)**

	<b>New Supply-Side Resources</b>	<b>New Demand-Side Resources</b>	<b>Existing Supply-Side Resources</b>	<b>Existing Demand-Side Resources</b>
Connecticut	354	238	6,835	610
Maine	-	170	3,244	103
Massachusetts	190	567	12,777	481
New Hampshire	10	64	4,083	54
Rhode Island	21	78	2,401	87
Vermont	50	71	900	30
Imports	-	-	934	-
<b>Total</b>	626	1,188	31,173	1,366

The FCM auction is designed to attract new power system investment and maintain needed existing power resources, as well as eliminate the need for widespread reliability agreements, or contracts established outside the competitive market to ensure the continued operation of power plants needed for reliability. Following the auction, power plants eligible for out-of-market reliability compensation will decrease dramatically, falling from the current level of nearly 3,200 MW to, at most, 330 MW in the 2010 to 2011 timeframe.

Bidding in the auction started at a price of \$15.00 per kilowatt-month (kW-month) and systematically decreased through each successive round. Bidding in the eighth and final round reached the minimum price established for this auction, with excess supply in the amount of 2,047 MW remaining. The final clearing price for the entire New England region was \$4.50 per kW-month.

**Lasting Market Momentum**

Active interest and involvement in this new market continues. At present, over 15,800 MW of new resources have expressed interest in participating in the second FCM auction, scheduled for December 2008. This includes over 14,000 MW of supply-side resources from traditional generation resources, including renewables and imports, and over 1,800 MW of demand-side resources.

Not all of the proposals received will qualify to compete for selection in the second FCM auction. ISO New England will work with the New England Conference of Public Utilities Commissioners and the New England Power Pool in the months ahead to determine the amount of resources to be purchased in the second FCM auction for availability from June 2011 through May 2012.

“The considerable interest in subsequent auctions clearly demonstrates the momentum behind this market and its potential to fulfill New England’s long-term electricity needs,” noted van Welie.

The Forward Capacity Market was developed by ISO New England, the six New England states, and industry stakeholders to promote investment in power system resources. Under FCM, ISO New England projects the needs of the power system three years in advance and then holds an annual auction to purchase the power system resources that will satisfy the future regional requirements. ISO New England contracted with Power Auctions LLC to assist in running the auction.