ISO new england

press release

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Contact:
Ellen Foley, ISO New England Inc. (413) 535-4139
Erin O'Brien, ISO New England Inc. (413) 540-4565
Marcia Blomberg, ISO New England Inc. (413) 540-4555

ISO New England Issues Statement Concerning Capacity Transactions

Holyoke, MA— April 21, 2009—In response to filings made at the Federal Energy Regulatory Commission (FERC) by the Connecticut Department of Public Utility Control, the Connecticut Office of Consumer Counsel, and the Connecticut Attorney General concerning capacity transactions that took place in the New England wholesale electricity marketplace, ISO New England will file an answer with FERC that will more fully explain how market rules were followed and capacity was provided to the region by external resources, but how data concerning energy delivery from these transactions was not fully understood by the ISO and led to unintentionally misleading statements in ISO's earlier filing that suppliers had received $85 million and never delivered energy during 108 hours.

Although data from a software tool that assists operators in managing imports show that energy delivery from these external resources was potentially required during 108 hours, upon closer examination by the market monitor of actual, real-time market and system conditions, it has become evident that delivery of this energy was not required because it was not needed for economic or reliability reasons. The data originally analyzed by the market monitor were incomplete since it only consisted of forecast system conditions and did not take into account the actual resources available to supply energy in real time, which the control room operators actually used to dispatch the system. Upon review of real-time system conditions, the market monitor has concluded that these external transactions were not needed since less expensive energy was available within New England to meet the region's needs.

Although ISO New England stated in a filing to FERC in March that energy wasn't delivered 108 times, delivery of energy from external transactions was actually not called during these hours, and, therefore, these resources were not paid for something they didn't deliver. It should be noted that the $85 million was paid to these resources over a 26-month period for capacity, which was provided.

When the market purchases imported capacity, it is reserving the right to use resources in a neighboring region when both regions are short of capacity, as well as procuring the right to get energy from resources under a defined set of market rules. These market rules currently do not allow the market monitor to determine a competitive price for external energy transactions that flow into New England. Certain external sellers are offering energy at very high prices, which will lead to their energy only being selected under emergency conditions, which is inefficient.

ISO New England's March 20 filing is designed to change the rules so that external resources will have to offer electricity at a more competitive price. The proposed rule changes also would strengthen enforcement with greater penalties.