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ISO New England Welcomes FERC Decision Approving Rule Revisions for Capacity Importers

Changes Will Ensure Capacity Importers Submit More Competitive Energy Bids; Information Requested on Limited Performance Exemption

Holyoke, MA—June 12, 2009—ISO New England Inc., the operator of the region's bulk power system and wholesale electricity markets, welcomes a favorable Federal Energy Regulatory Commission (FERC) Order accepting market rule reforms that will require capacity importers to offer electricity supplies at more competitive prices and impose greater penalties when they fail to provide energy when needed.

"The Commission's approval of the market rule changes proposed by the ISO and stakeholders underscores the merits of these revisions," said Raymond Hepper, ISO New England's Vice President and General Counsel. "With these market rule changes, New England can now derive more value from these capacity resources."

Some capacity importers have been offering to deliver energy into New England at very high prices, thereby limiting New England's use of these capacity resources. These new rules will require that capacity importers' offers to sell energy into New England's markets are competitive by establishing a benchmark price based on historical and current market prices.

When an offer into New England's market rises above this threshold, the capacity importer will be penalized, losing out on a portion of their monthly capacity market payment. Additionally, market participants that fail to deliver electricity when called upon to do so will be subject to financial penalties.

Additional Information Requested on Penalty Exemption Provision

The Commission's Order, issued June 11, requested additional information regarding one aspect of the market rule changes that exempts capacity imports from penalties for failing to deliver energy under certain conditions.

As a part of the market rule revisions, capacity importers will be paid to be available when ISO New England calls on them to deliver, and will be subject to penalties for non-performance. However, the rules in their current form permit capacity importers whose energy is requested by ISO New England to instead sell their supplies locally if the energy price is higher there than in New England. In this way, available supplies are used where there is the greatest need.

Some stakeholders expressed concern in the FERC proceeding regarding the application of this provision. The FERC requested additional information within 30 days' time regarding the parity of treatment between internal and external resources under this provision, as well as the effect this penalty exemption would have on reliability.

The ISO will now implement the approved rule changes with an effective date of July 1, 2009, while also working to provide the additional information requested by the Commission.