

31st Meeting of the Conference of New England Governors and Eastern Canadian Premiers

Gordon van Welie

President and CEO, ISO New England Inc.

June 26, 2007

Prince Edward Island

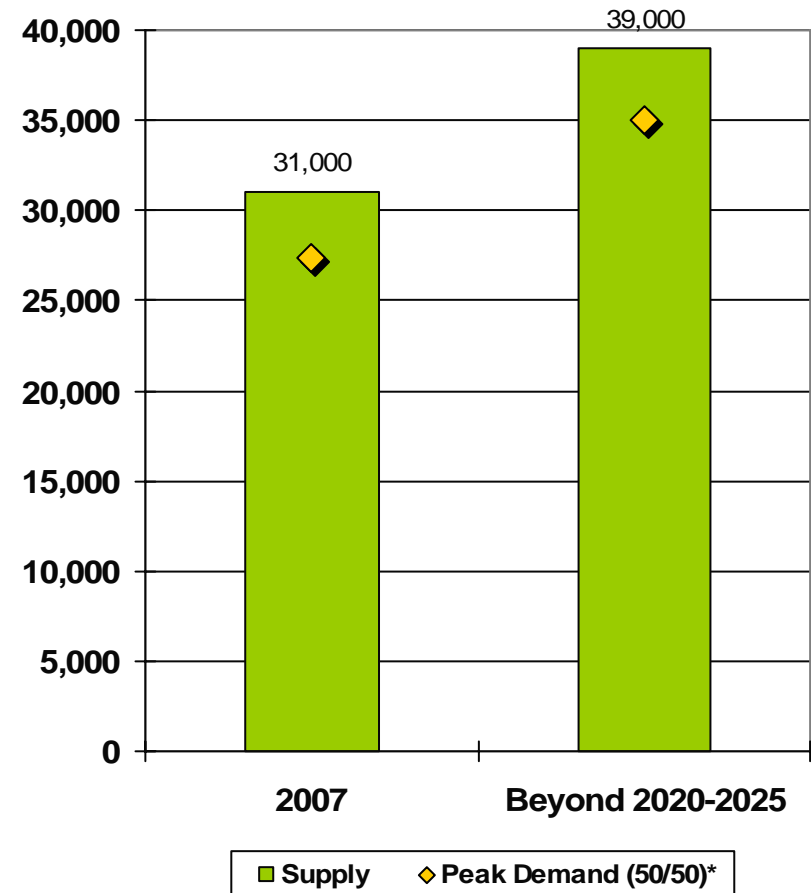
New England: Supply & Demand Outlook

- **Supply**

- 2007 supply is today's resources
- Future supply based on purchases in the Forward Capacity Market (includes demand resources)

- **Demand**

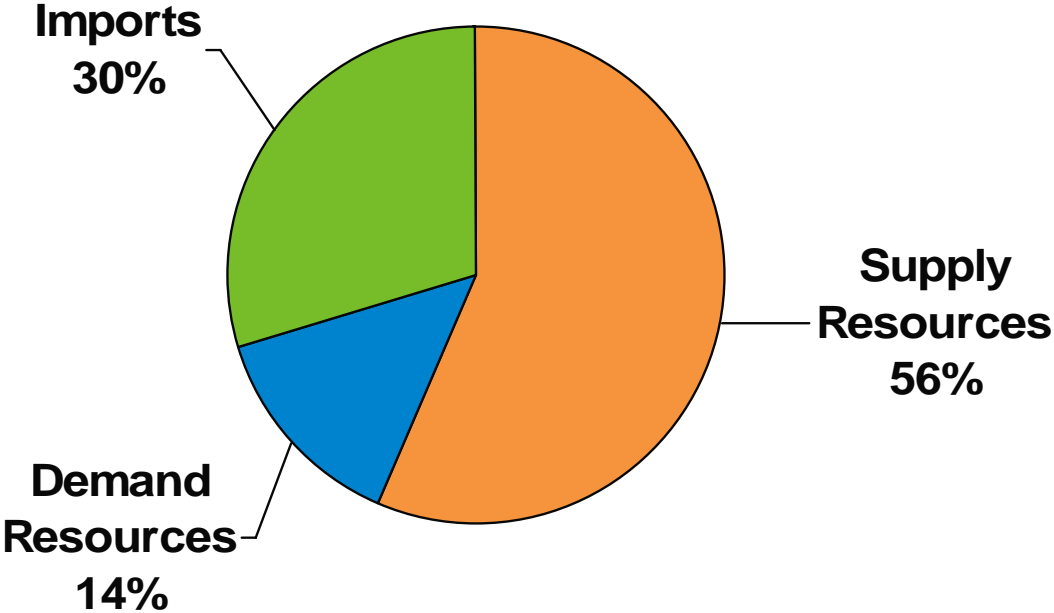
- Today's demand to be met with existing supply
- Ten-year regional planning process identifies need for additional 4000 Megawatts ("MW") by 2016
- Longer term scenario analysis assumes a 35,000-MW peak demand in the 2020-2025 timeframe
 - Additional 8000 MW needed



* Does not include operating reserve requirement.

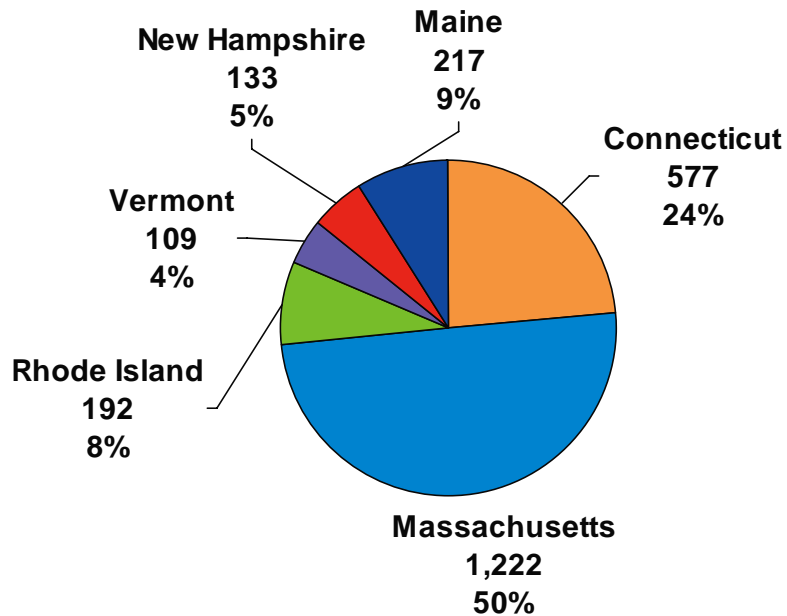
Response to New Capacity Market

Promising: Over 17,000 MWs of Interest

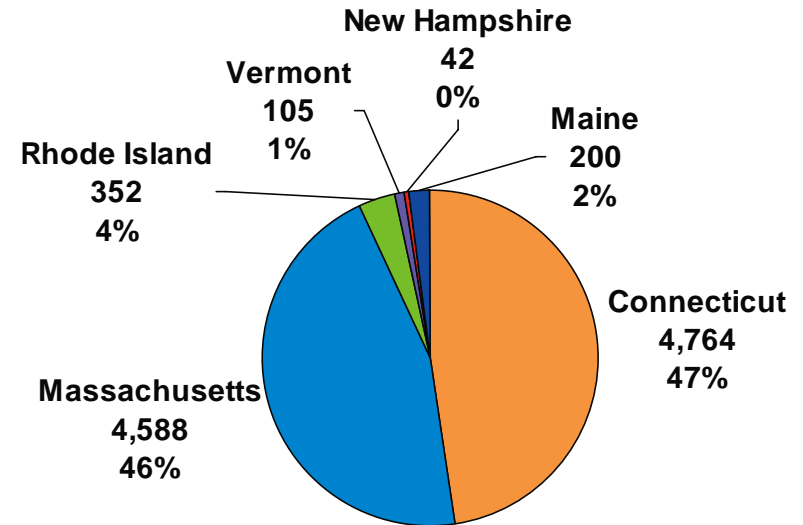


Resources Seek To Locate in Areas of Greatest Need: Connecticut and Massachusetts

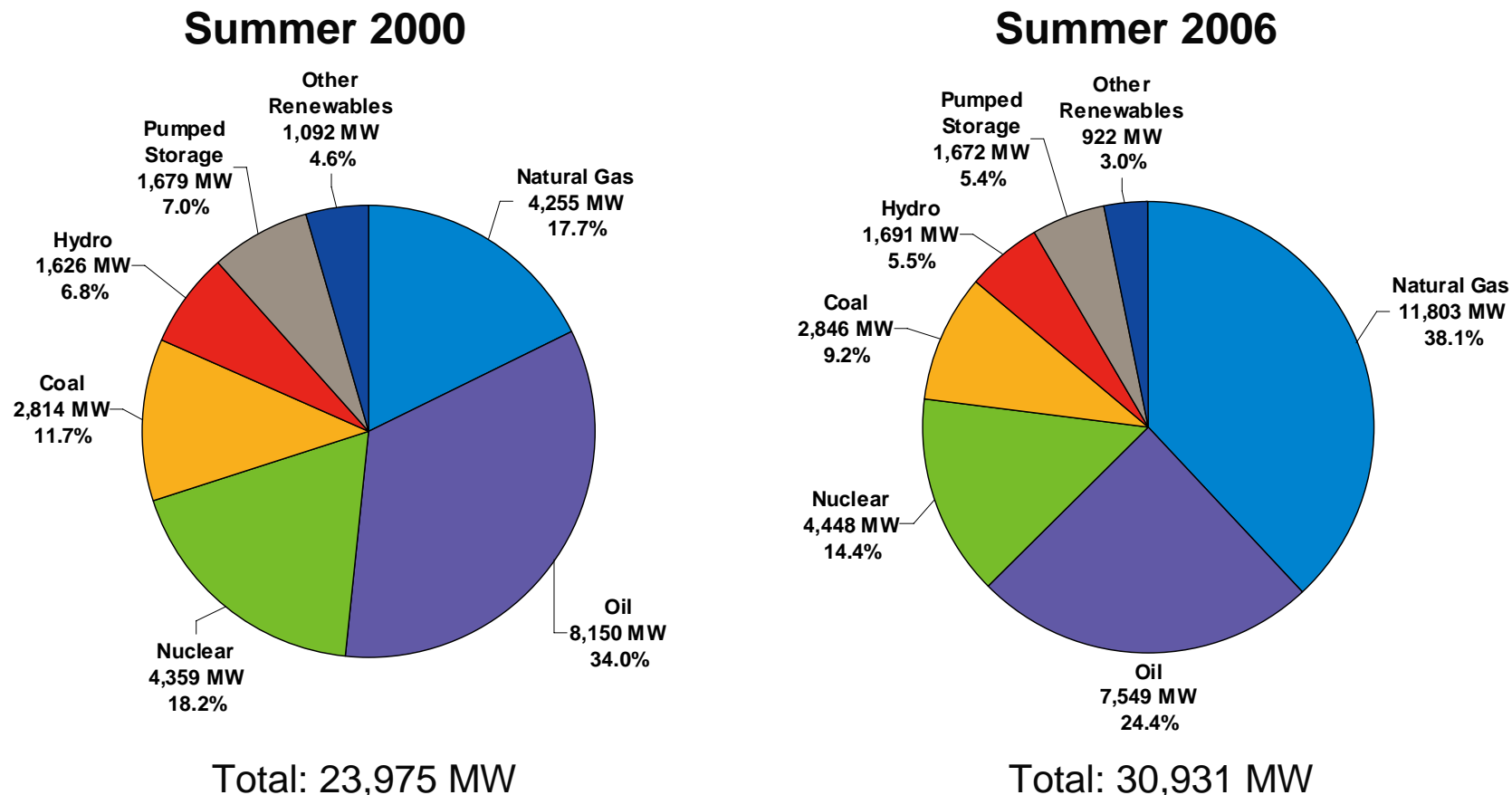
Demand Resources



Supply Resources

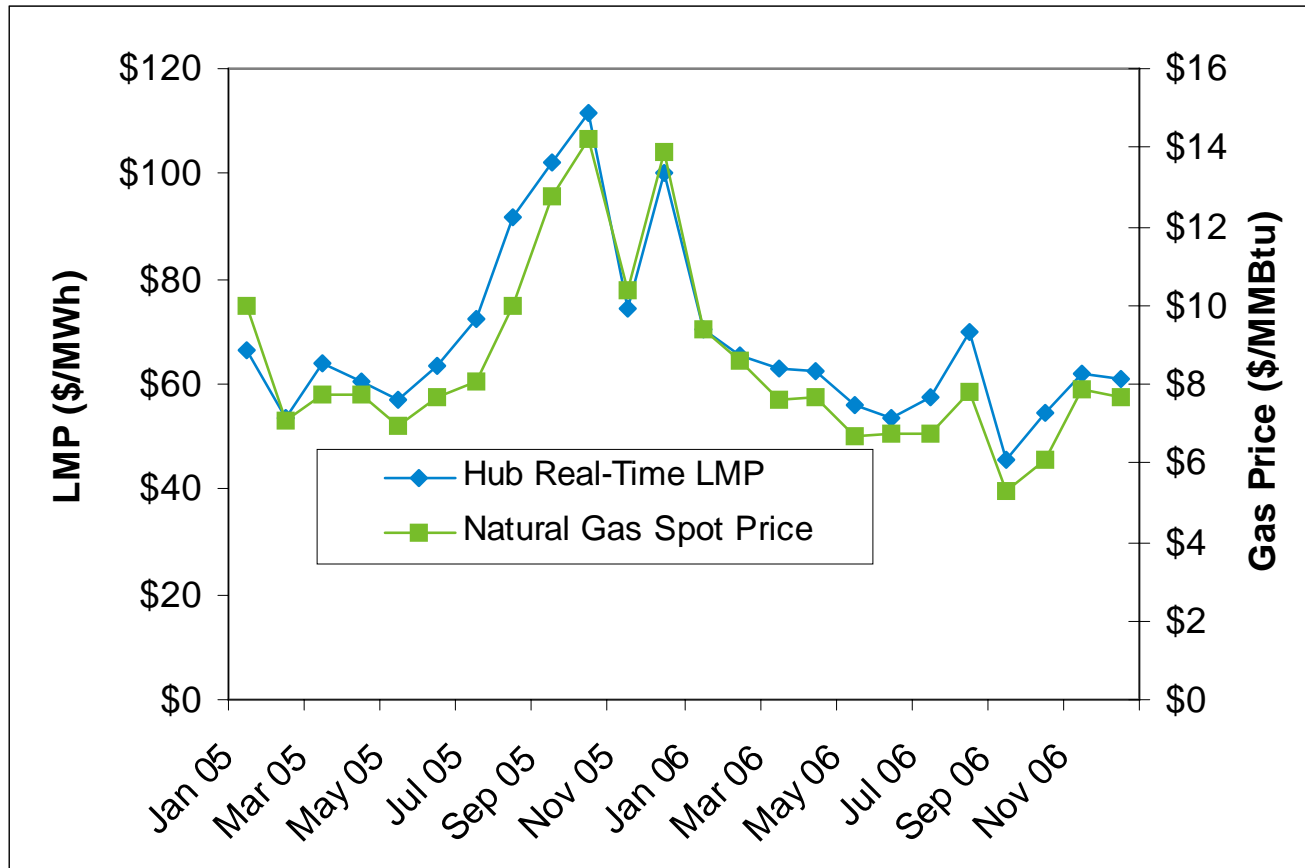


But Challenges Remain: Heavy Reliance on Natural Gas for Power Generation



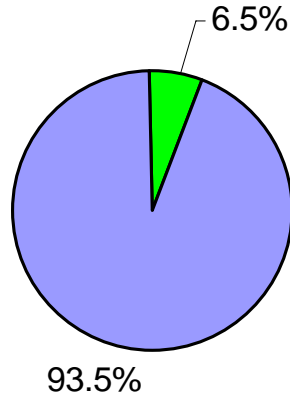
Note: Units in the "Other Renewables" category include those fueled by biomass, refuse, and wind.

Gas Prices Drive Price of Wholesale Electricity



States Seek Renewable Energy: Requirements to Increase 500%: 2006 - 2015

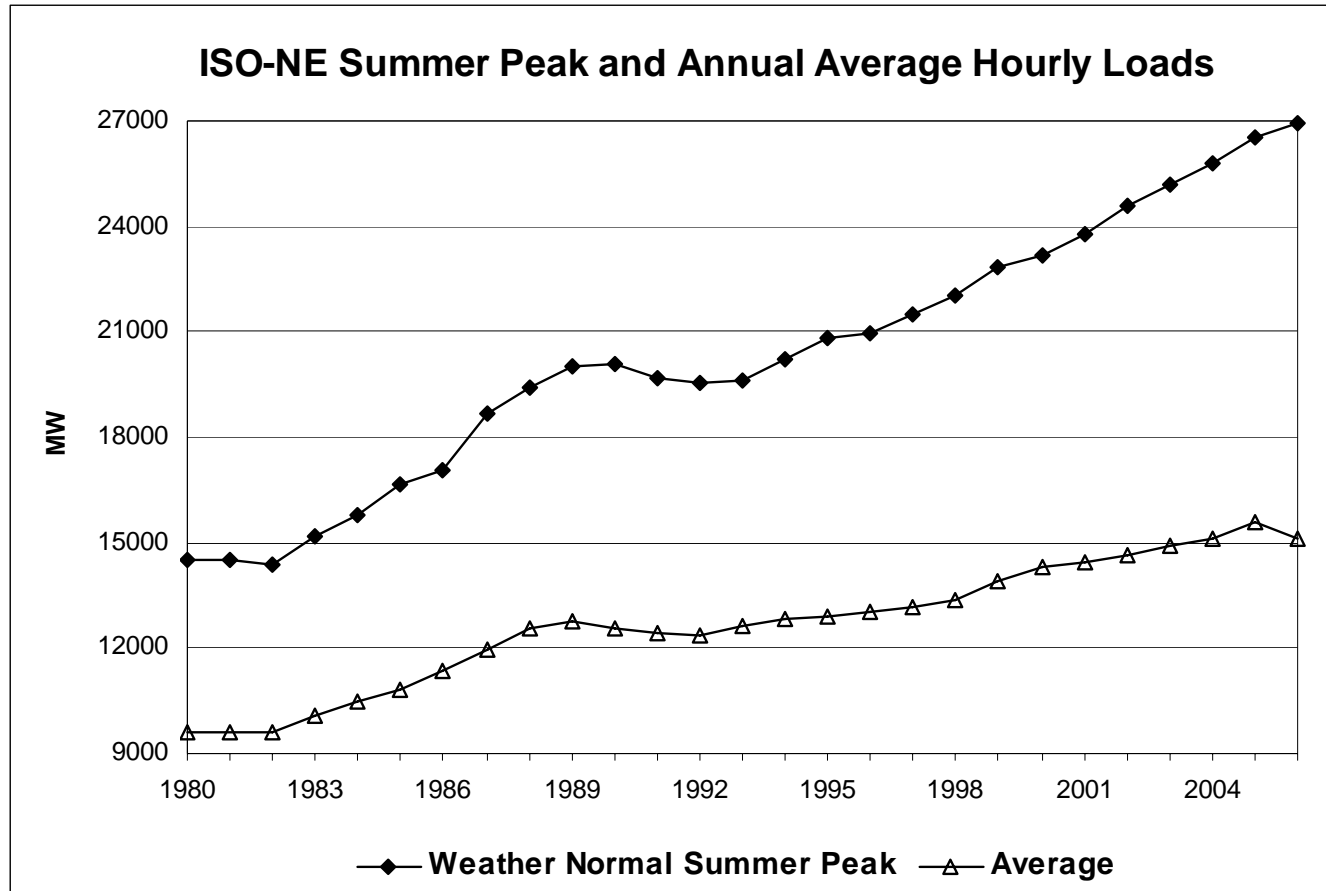
RPS Requirement as a % of Energy in New England (2015)



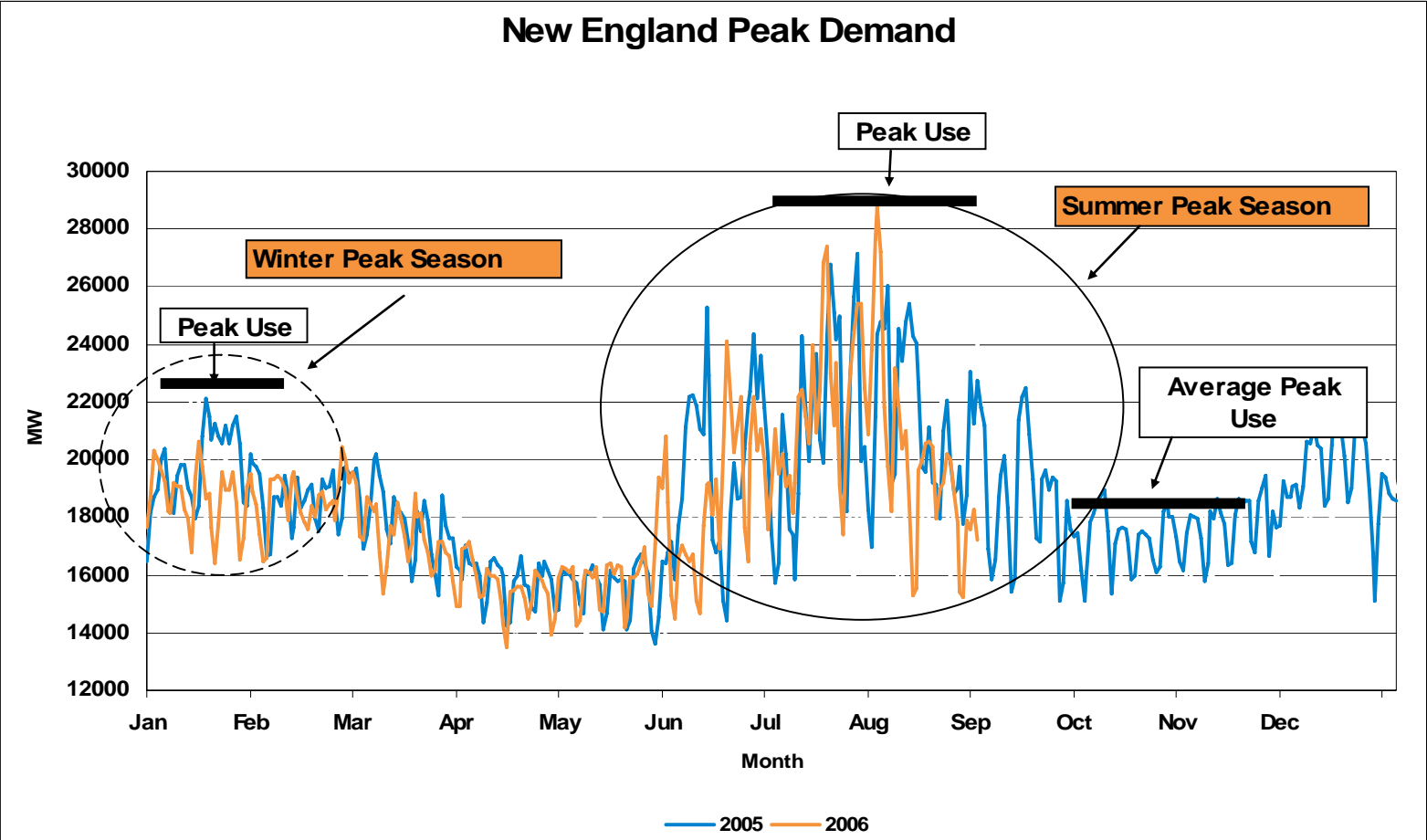
■ NE RPS Requirement
■ NE Energy From Other Sources

- 6.5% RPS requirement in 2015 equivalent to:
 - 3,750 MW of wind, or
 - 1,600 MW of biomass
- Proposed renewable projects in New England total 1,900 MW
 - Not all renewables qualify for RPS

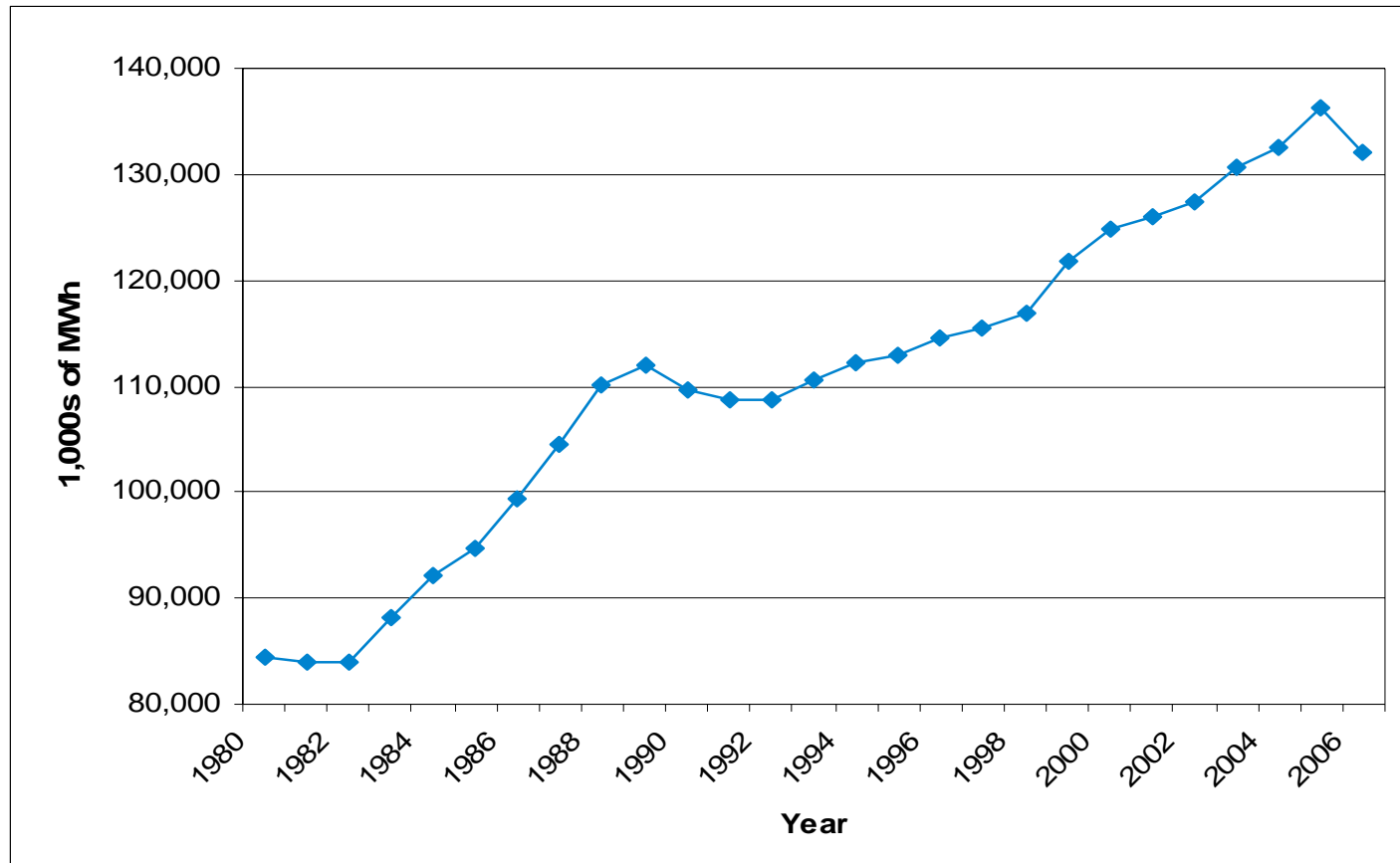
Historically Summer Peak Use Greater, Faster Growing, Than Average Use



Summer Peak Use Also Greater Than In Winter

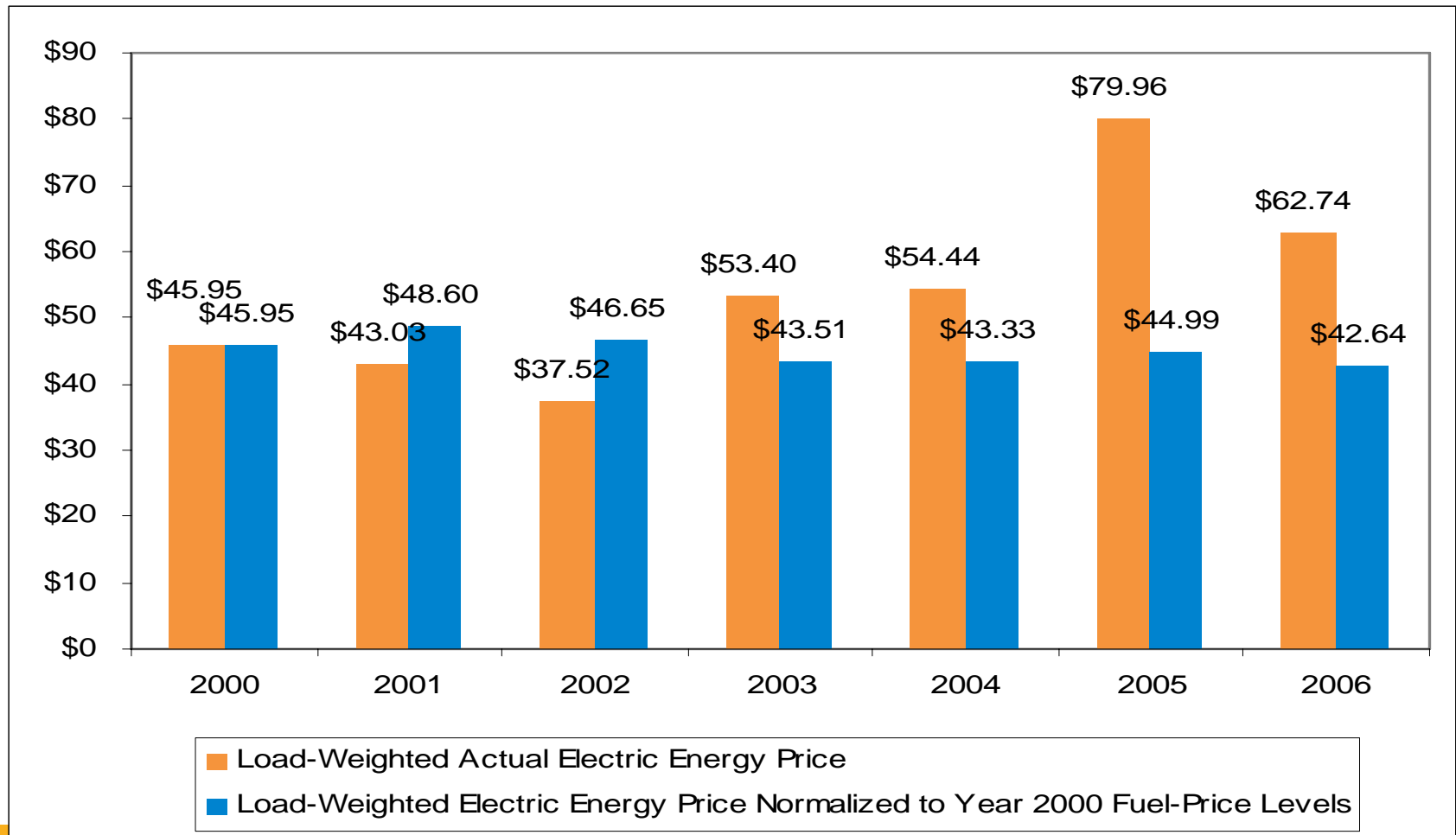


Overall Electricity Usage Declined in 2006: Weather, Increased Retail Rates, Consumer Conservation



Lower Gas Prices and Usage Reduces Wholesale Electric Prices:

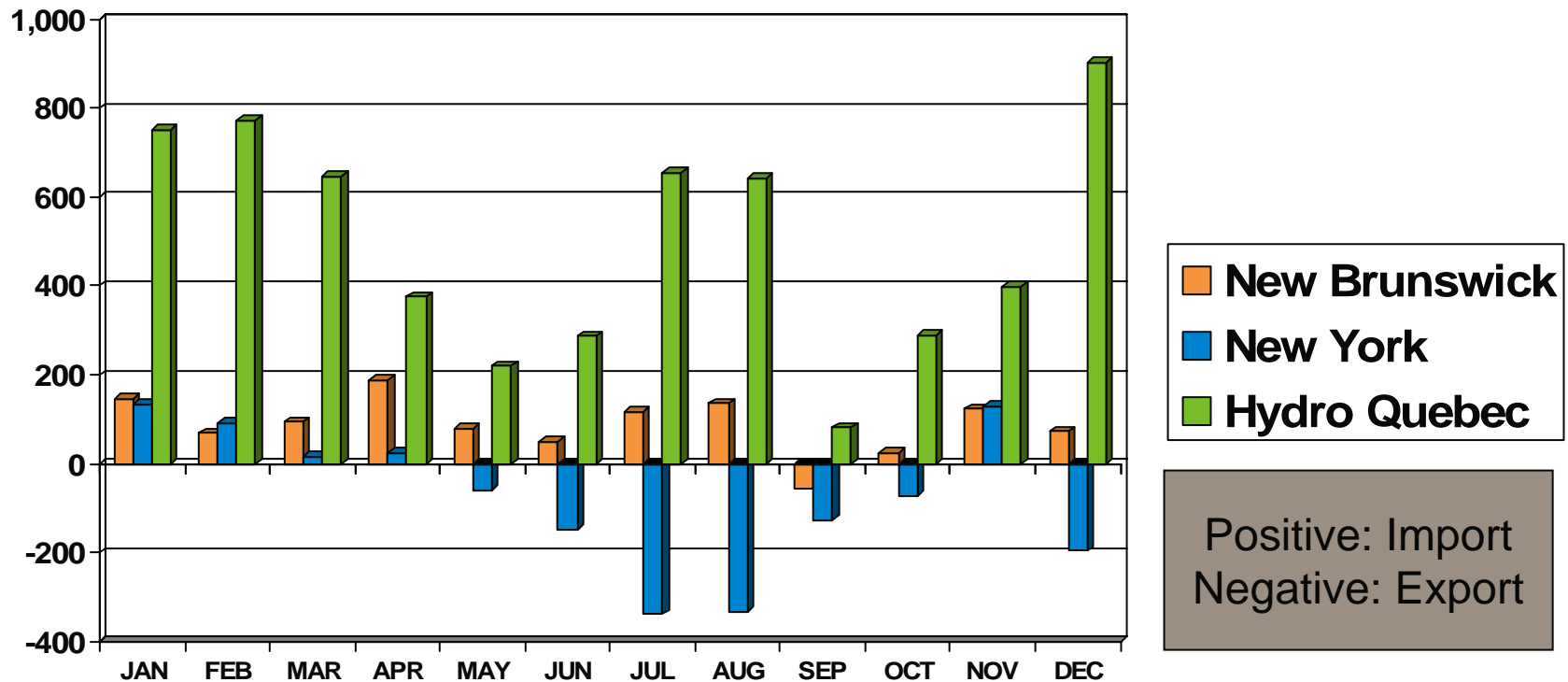
Fuel adjusted prices down 5%, absolute prices down 21%



Substantial Imports from Canada in 2006: Summer and Winter

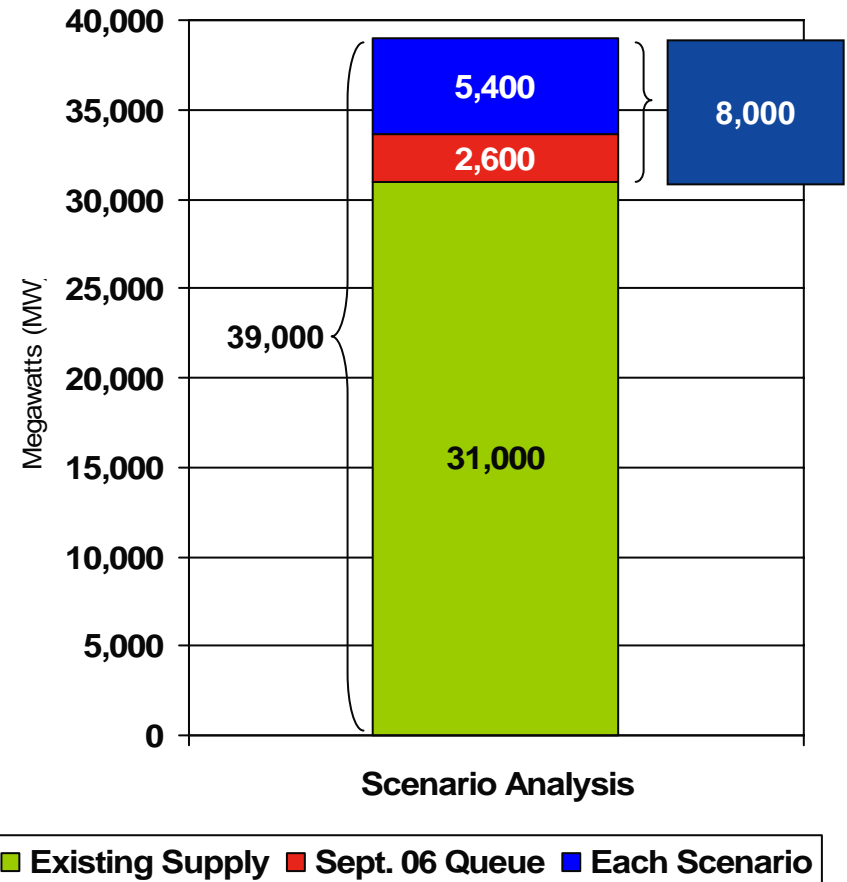
Gigawatt hours (GWh)

Net Imports/Exports



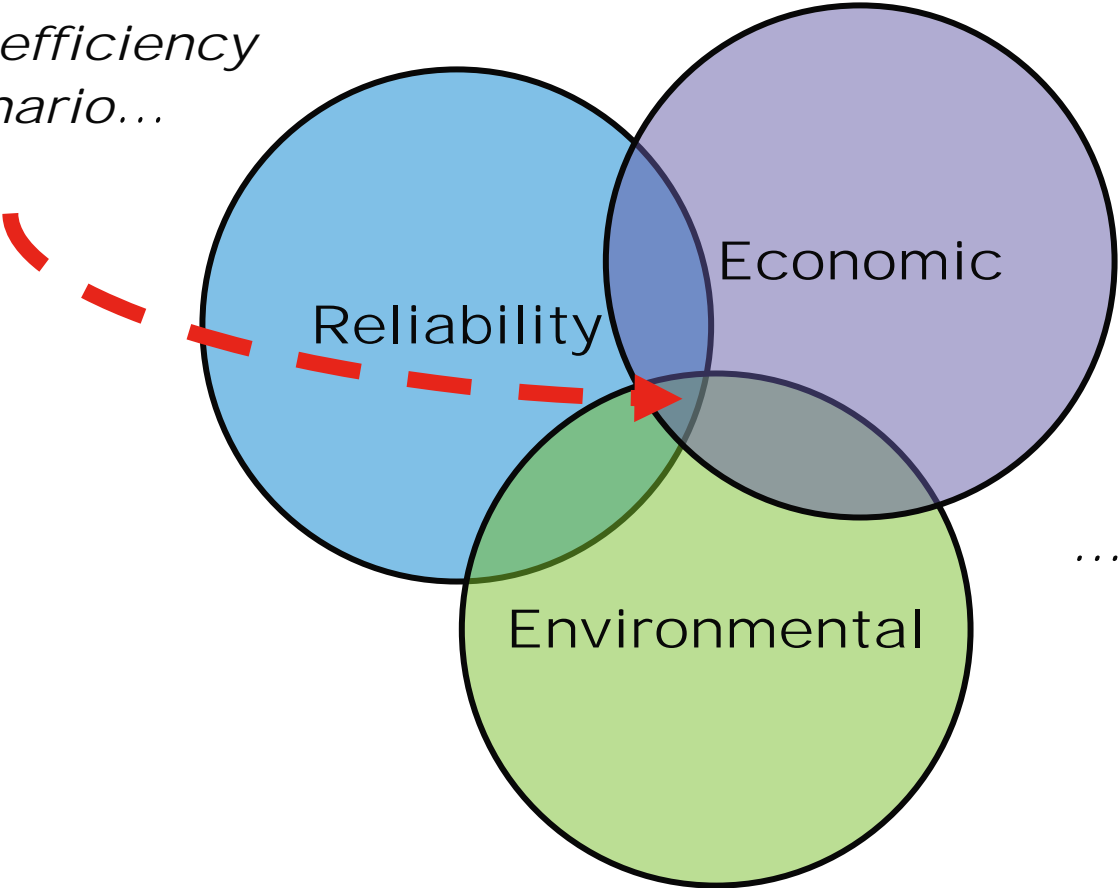
New England Scenario Analysis

- Seven future resource scenarios
- Each models 8,000-MW system expansion based on:
 - A representative mix of the resources currently being proposed, *plus*
 - A large concentration of a certain technology / resource option
- Measure and compare reliability, economic, and environmental performance of each
- Results highlight policy choices and implications



Energy Efficiency has Reliability, Environmental and Economic Benefits

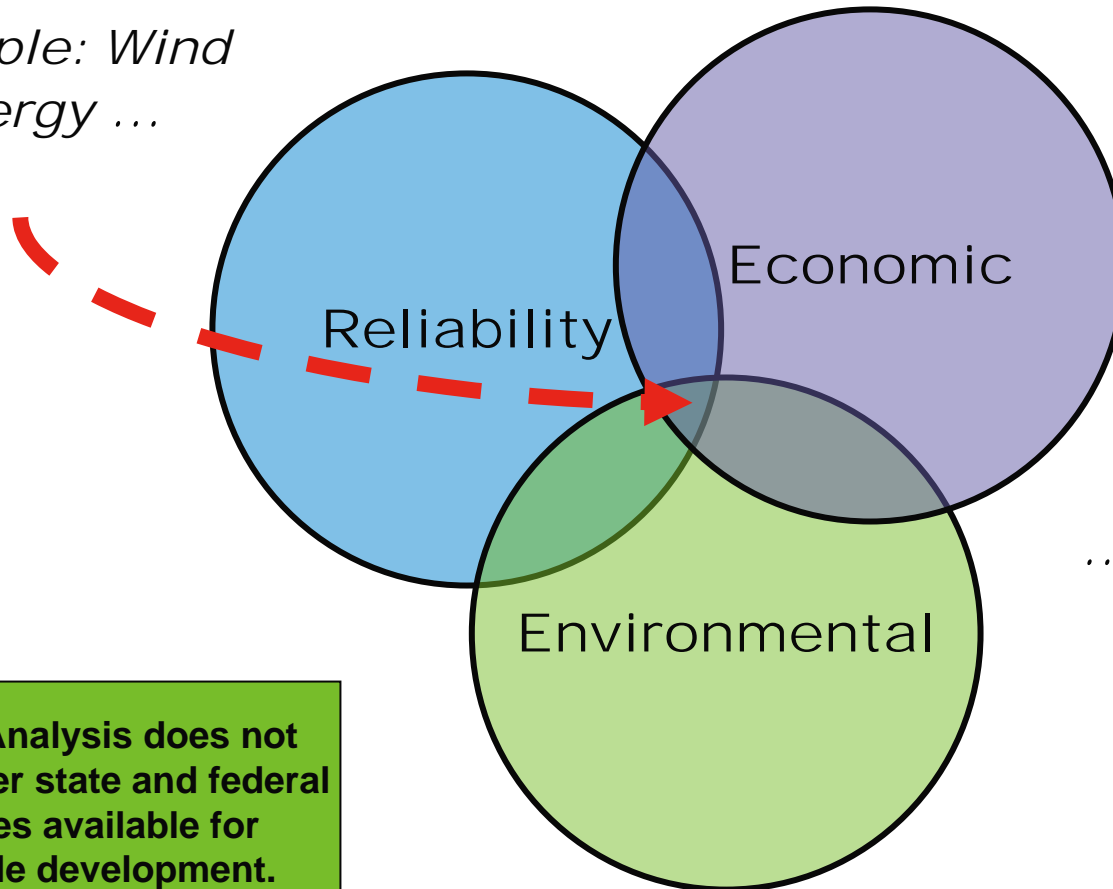
Energy efficiency scenario...



...has positive economic, reliability and environmental outcomes.

High Energy and CO2 Allowances Prices Create A More Favorable Investment Climate for Some Renewables

Example: Wind Energy ...

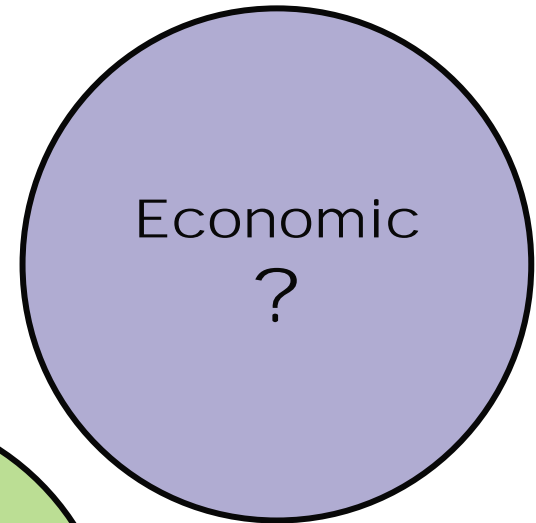
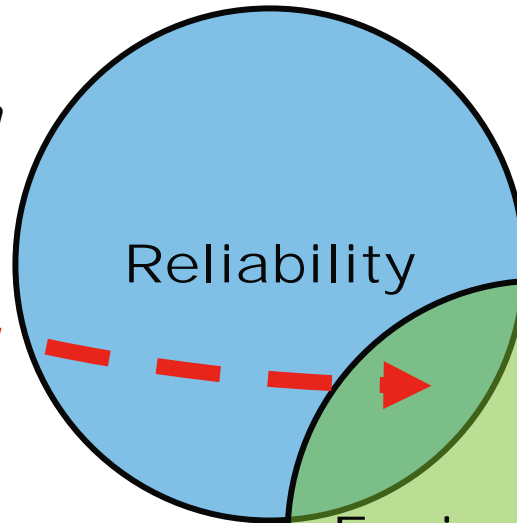


...performs well from an economic perspective when energy and carbon allowances prices are high.

Scenario Analysis does not include other state and federal incentives available for renewable development.

Import Scenario Uncertain about Overall Economic Impact

*Example:
Importing large
amounts of clean
energy ...*



*...has positive
reliability and
environmental
outcomes but
the economic
impact is
unknown.*

Only transmission needed in New England is factored into Import Scenario. The cost to New England consumers of energy and needed Canadian transmission unknown.

Issues for Continued Discussion

- Siting Clean Resources in New England
- Purchasing Clean Resources from Canada
- Transmission and Infrastructure Requirements
- Long-term Contract Mechanisms to Secure Supplies
- Entity to take the lead in further defining, analyzing and developing potential opportunities