



Sullivan & Worcester LLP
1666 K Street, NW
Washington, DC 20006

T 202 775 1200
F 202 293 2275
www.sandw.com

October 31, 2005

Via Electronic Filing

Honorable Magalie R. Salas, Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, D.C. 20246

Re: Motion for Leave to Answer and Answer of ISO New England Inc.
Docket No. ER05-1531-000

Dear Ms. Salas:

Enclosed for electronic filing in the referenced docket is the Motion for Leave to Answer and Answer of ISO New England Inc.

If there any questions concerning the enclosed filing, please call me at 202-775-6814.

Very truly yours,

/s/ Sherry A. Quirk
Sherry A. Quirk
Counsel for ISO New England Inc.

I. MOTION FOR LEAVE TO ANSWER

As a general matter the Commission's rules prohibit responses to protests.³ To the extent that the ISO responds herein to protests, the ISO respectfully requests that it be permitted to answer. The Commission has the authority to waive the prohibition against answers to protests for good cause.⁴ The Commission has found good cause to permit replies where they are otherwise prohibited in various circumstances, including where the reply would assure a complete record in the proceeding,⁵ provide information helpful to the disposition of an issue,⁶ permit the issues to be narrowed or clarified,⁷ or aid the Commission in understanding and resolving the issues.⁸ The ISO believes that the instant reply will assure a more complete record in this proceeding and otherwise assist the Commission in understanding and resolving the issues presented. The instant filing clarifies certain issues raised in response to the HQICC filing. For this reason, the ISO respectfully requests that the Commission grant the ISO's motion to provide the following Answer.

³ See 18 C.F.R. § 385.213(a)(2) (2005).

⁴ See 18 C.F.R. § 385.101(e) (2005).

⁵ See, e.g., *Pacific Interstate Transmission Co.*, 85 FERC ¶ 61,378 at 62,443 (1998), *reh'g denied*, 89 FERC ¶ 61,246 (1999).

⁶ See, e.g., *CNG Transmission Corp.*, 89 FERC ¶ 61,100 at 61,287 n.11 (1999).

⁷ See, e.g., *PJM Interconnection LLC*, 84 FERC ¶ 61,224 at 62,078 (1998); *New Energy Ventures, Inc. v. Southern California Edison Co.*, 82 FERC ¶ 61,335 at 61,323 n.1 (1998).

⁸ See, e.g., *Tennessee Gas Pipeline Co.*, 92 FERC ¶ 61,009 at 61,016 (2000).

II. ANSWER

The Commission Should Approve the ISO's proposed HQICC Values as Consistent with the Commission's Directives and Dismiss Con Edison's Protest as Beyond the Scope of This Proceeding.

Con Edison asserts that the establishment of HQICCs at any value other than zero would be unjust and unreasonable, inasmuch as the holders of transmission rights on the HQ interconnection are under no obligation to actually purchase capacity from Hydro-Quebec.⁹ Con Edison argues that the establishment of HQICCs at any value other than zero serves to distort the IC Requirement and results in a perceived capacity surplus that is greater than it really is.¹⁰

As Con Edison points out, in each Power Year (other than the 2005/2006 Power Year) since the long-term contract for importing energy over the HQ Interconnection, known as the Firm Energy Contract ("FEC"), terminated in September 2001, the annual determination of HQICCs has been a source of disagreement. These contentious proceeding have been resolved through Commission orders in contested cases.¹¹ Although the ISO recognized the need for a review of the treatment of all New England's ties with its neighboring control areas, including the HQ Interconnection, and the broader issue of the methodology for determining the IC Requirement, the ISO was nevertheless required by the Commission to submit its 2006/2007 HQICC values by October 1, 2005.¹² To comply with its filing obligation, as the ISO established the proposed 2006/2007 HQICC values using the same deterministic calculation used to establish HQICC values for the 2005/2006 Power Year and ultimately accepted by the Commission for

⁹ Motion to Intervene and Protest of Consolidated Edison Energy, Inc., Indeck Maine Energy, L.L.C., Ridgewood Rhode Island Generation, LLC, Ridgewood Maine Hydro Partners, L.P. and Blackstone Hydro, Inc. ("Con Edison Protest") at pp. 1-2.

¹⁰ *Id.* at pp. 3-5.

¹¹ *Id.* at p. 3.

¹² New England Power Pool and ISO New England Inc., 111 FERC ¶ 61,132 at P37 (2005).

that purpose. Moreover, the proposed monthly HQICC values are exactly the same as the HQICC values established for the 2005/2006 Power Year.

Con Edison does not allege that the proposed HQICC values are in any way inconsistent with the Commission's prior HQICC directives; instead, Con Edison's objection goes to the "fallacy of the HQICC assumption and its effect in the IC requirement."¹³ A forum has been established to address the substantial disagreement among the Participants regarding the methodology for, and policy underlying, the establishment of HQICC values now that the FEC has expired. As described in greater detail in the September 30 filing, the ISO, with the New England Power Pool ("NEPOOL") and the New England Conference of Public Utility Commissioners ("NECPUC"), has initiated a comprehensive review of IC issues. The concerns raised by Con Edison are clearly within the ambit of that review. Most Market Participants have agreed to raise such broader issues related to the IC Requirement through this comprehensive review -- and not through the HQICC proceeding. The ISO urges the Commission to dismiss Con Edison's protest and to encourage Con Edison instead to participate in the process that was established to address the concerns it raises.

¹³ Con Edison Protest at p. 5.

III. CONCLUSION

Con Edison raises no arguments that impede acceptance of the September 30, 2005 HQICC filing. The ISO respectfully requests that the Commission (i) grant the ISO's Motion for Leave to Answer; (ii) consider the ISO's Answer in addressing the HQICC Filing; (iii) dismiss Con Edison's protest; and (iv) approve the HQICC Filing on the record developed to date in this proceeding.

Respectfully submitted,

By: /s/James H. Douglass

James H. Douglass, Esq.
ISO New England Inc.
One Sullivan Road
Holyoke, MA 01040-2841
Tel: (413) 540-4559
Fax: (413) 535-4379
e-mail: jdouglass@iso-ne.com

Its Attorneys

By: /s/ Sherry A. Quirk

Sherry A. Quirk, Esq.
Mary E. Bengel, Esq.
Sullivan & Worcester LLP
1666 K St., NW, Ste. 700
Washington, DC 20006
Tel: (202) 775-6814
Fax: (202) 293-2275
e-mail: squirk@sandw.com

Counsel for ISO New England Inc.

Dated: October 31, 2005

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.2010 (2005), upon each person designated on the official service list in this proceeding as compiled by the Secretary of the Federal Energy Regulatory Commission.

Dated at Washington, D.C., this 31st day of October, 2005.

/s/ _____

Mary E. Bengé

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