

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

ISO New England Inc.

)

Docket No. ER07-1289-____

**EXPEDITED MOTION TO DELAY THE EFFECTIVE DATE AND TO HOLD A
TECHNICAL CONFERENCE OR, IN THE ALTERNATIVE,
NOTICE OF CANCELLATION OF ISO NEW ENGLAND INC. AND MAINE
ELECTRIC POWER COMPANY**

Pursuant to Rule 212 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (the “Commission”), 18 C.F.R. § 385.212 (2007), ISO New England Inc. (the “ISO”) and the Maine Electric Power Company (“MEPCO”) move to delay the effective date of the “MEPCO Roll-in Proposal” filed on August 16, 2007 (the “August 16 Filing”) from December 1, 2007¹ to February 1, 2008.² Along with that request, the ISO and MEPCO ask the Commission’s staff to hold a technical conference to address the issues raised below and in the other pleadings submitted contemporaneously with this pleading, including the rehearing request submitted jointly by the ISO and MEPCO.

In the alternative, and only if the Commission rejects the request to delay the effective date, the ISO’s and MEPCO’s joint Notice of Cancellation of the August 16 Filing included herein, submitted pursuant to Section 35.15 of the Commission’s rules, should take effect November 30, 2007. The alternative Notice of Cancellation is necessary because the conditions

¹ The Commission conditionally accepted MEPCO Roll-in Proposal in *ISO New England Inc.*, 121 FERC ¶ 61,097 (2007) (the “October 29 Order”), which established an effective date of November 1, 2007. The Commission later granted an expedited request to change the effective date to December 1, 2007. *ISO New England Inc.*, 121 FERC ¶ 61,186 (2007).

² MEPCO proposes to extend by two months its Request for Temporary Waiver of Order No. 890 currently pending before the Commission in Docket No. OA-07-99 to correspond with the delayed effective date of February 1, 2008 requested herein.

imposed on the MEPCO Roll-in Proposal in the October 29 Order – *inter alia*, the provision of a congestion “hedge” to Casco Bay Energy Company, L.L.C. (“Casco Bay”) that does not currently exist – cannot be implemented without imposing significant costs on, and/or shifting those costs to, New England Market Participants and/or MEPCO customers that these entities do not currently incur.

The ISO and MEPCO respectfully request that this pleading be considered on an expedited basis.

The ISO and MEPCO continue to believe that, under appropriate provisions, a roll-in of the MEPCO transmission facilities as Pool Transmission Facilities (“PTF”)³ is the best solution to the integration of the Northeast Reliability Interconnection (“NRI”) into the New England RTO operational, transmission and market arrangements. Unfortunately, the October 29 Order imposes conditions on the MEPCO Roll-in Proposal that would create and/or shift significant costs, as explained further herein.

This joint motion is one of three related submittals being made today, which also include:

- A request for expedited rehearing of the October 29 Order by the ISO and MEPCO.
- A proposal to amend Market Rule 1⁴ to implement a “Hold Harmless Mechanism” for Casco Bay regarding certain marginal losses, filed by the ISO in accordance with its November 14, 2007 “Informational Report”⁵ in this docket and pursuant to the October 29 Order.

³ Capitalized terms used but not otherwise defined in this filing have the meanings ascribed thereto in the ISO Tariff or in the Participants Agreement among ISO New England Inc. as the Regional Transmission Organization for New England and the New England Power Pool and the entities that are from time to time parties hereto constituting the Individual Participants (the “Participants Agreement”).

⁴ Market Rule 1 is Section III of the ISO Tariff.

⁵ ISO New England Inc., Informational Report on Revision to Loss Component Calculation at Graham Node (filed Nov. 14, 2007).

The ISO and MEPCO have provided a separate explanatory cover letter, intended to be read first, to provide an overview of the three submittals and their integrated nature. The three submittals should be considered in tandem.

None of these filings will delay the NRI's becoming operational in December 2007 as PTF under the ISO Tariff. As the Filing Parties are not proceeding to implement the MEPCO Roll-in Proposal as of December 1, 2007, however, it will be necessary for the ISO to limit the transfer capabilities of the dual MEPCO/NRI interconnection to the transfer capabilities that are currently in place for the New England/New Brunswick external interface, namely, up to a maximum of 700 MW for imports from New Brunswick and 280 MW for exports to New Brunswick. This limitation of transfer capability across the New Brunswick external interface is inefficient from a market standpoint, providing further reason for expedited consideration.

I. BACKGROUND

A. The August 16 Filing and the MEPCO Roll-in Proposal

In the August 16 Filing, the Filing Parties⁶ submitted the fully integrated MEPCO Roll-in Proposal to amend the ISO OATT, the Transmission Operating Agreement, and the MEPCO Transmission Operating Agreement. The MEPCO Roll-in Proposal, *inter alia*, would have allowed the ISO to provide service over the MEPCO transmission facilities through “Regional Transmission Service.” The Filing Parties had determined that such changes were necessary in order to eliminate the conflicts that would arise from providing Regional Transmission Service over the NRI transmission tie line in parallel with transmission service over the MEPCO transmission tie line.

⁶ The Filing Parties were the ISO, MEPCO, and the Participating Transmission Owners Administrative Committee (“PTO AC”).

The proposal would have terminated all of MEPCO's transmission service agreements, but would have provided a grandfathering option to MEPCO's transmission customers with external Long-term Firm Point-to-Point transmission service agreements. The proposal did not offer a grandfathering option for MEPCO's lone internal Long-term Firm Point-to-Point transmission service customer, Casco Bay, because the proposal would not have abrogated any of its rights.⁷ In fact, the proposal would have eliminated Casco Bay's obligation under its transmission service agreement with MEPCO (the "Casco Bay TSA") to continue to pay, for the remaining 18 years of the Casco Bay TSA's term, approximately \$800,000 a year to MEPCO. The roll-in proposal did not alter the locational-based congestion charges to which Casco Bay's Maine Independence Station has been subject through the period from the March 2003 initiation of locational marginal pricing-based markets in New England to the present time.

B. The Casco Bay Protest and the October 29 Order

Casco Bay protested the August 16 Filing. Casco Bay owns and operates the Maine Independence Station, a 520 MW natural gas-fired, combined cycle generating facility located in Veazie, Maine, and interconnected at the Graham substation with PTF administered by the ISO.⁸ Casco Bay entered into the Casco Bay TSA with MEPCO in 1999 to fund upgrades on the MEPCO transmission facilities – which are not administered by the ISO – necessitated by this interconnection.

Failing to cite any specific provisions or provide any evidentiary support, Casco Bay claimed that its TSA provided "a valuable hedge against congestion ... and marginal losses

⁷ August 16 Filing, Attachment 2 (Kay Testimony) at pp. 16-17; *see also id.* at p. 22 (indicating that the MEPCO Roll-in Proposal would have "no impact on the dispatch and settlement of internal generation and load").

⁸ Casco Bay Protest at 3.

between the Orrington and Maine Yankee Substations” on the MEPCO system.⁹ The ISO and MEPCO filed a joint answer explaining why the Casco Bay TSA provided no such hedges and that its termination posed no harms to Casco Bay.

The October 29 Order conditionally accepted the August 16 Filing, but agreed with Casco Bay – despite a lack of record evidence and without explanation – that the MEPCO Roll-in Proposal would deprive Casco Bay of congestion and marginal loss hedges.¹⁰ In the October 29 Order, the Commission ordered “the Filing Parties to provide Casco Bay a grandfathering option that will preserve all of Casco Bay’s existing rights, with the exception that it will become subject to the same scheduling and curtailment provisions as other grandfathered agreements.”¹¹

C. The ISO’s Informational Report

On November 14, 2007, the ISO filed in this proceeding its Informational Report to explain the revision it implemented that day to the Loss Component calculation for the Graham Node. In the Informational Report, the ISO explained how the ISO had been “mapping” the Loss Component price calculated for the Maine Yankee Node to the Loss Component for the Graham Node. This treatment had resulted in deeming for Loss Component calculation purposes the output of Maine Independence Station into the PTF system only at the Maine Yankee substation, which is at the southern end of the MEPCO line instead of to the 115-kV PTF system in the vicinity of the Graham substation to which Maine Independence Station is interconnected.¹² The ISO had elected this treatment because, when preparing for the commencement of the ISO’s March 1, 2003 “Standard Market Design” markets – incorporating

⁹ Casco Bay Protest at 9.

¹⁰ October 29 Order at PP 39-40.

¹¹ *Id.* at P 41.

¹² Informational Report at 5.

locational zonal and nodal pricing that accounts for marginal congestion and losses – ISO staff believed it was appropriate to treat the Graham Node (at which the Maine Independence Station is considered to inject energy) as though it were a non-PTF node.¹³

The ISO personnel responsible for developing the MEPCO Roll-in Proposal became aware earlier this year of the foregoing loss mapping after investigating claims raised by Casco Bay during the stakeholder discussions regarding its alleged marginal loss hedge.¹⁴ As a result of this investigation, including discussions with MEPCO, the ISO deemed it appropriate to revise the Loss Component mapping at the Graham Node in a manner consistent with its physical location on the PTF system (the “Loss Component Revision”).¹⁵

The Informational Report also explained how the Loss Component Revision related to the October 29 Order. For instance, the Informational Report explained that Casco Bay’s arguments and the findings in the October 29 Order regarding a loss hedge could stem, not from the Casco Bay TSA, but from the fact that the ISO had been mapping the Loss Component at the Graham Node to the Maine Yankee Node.¹⁶ Because the Loss Component Revision, absent any other changes, would financially impact Casco Bay, the Informational Report explained that the ISO was developing a mechanism (effective November 14) “to hold Casco Bay ‘harmless’ from such losses, pending the Commission’s consideration of and action on any potential rehearing request.”¹⁷ That mechanism is reflected in the Market Rule 1 tariff sheets filed with a separate pleading contemporaneously herewith.

¹³ *Id.* (explaining why the Graham Node was treated at the time as if it were non-PTF).

¹⁴ *Id.* at 6.

¹⁵ *Id.* at 7.

¹⁶ *Id.* at 2.

¹⁷ *Id.* at 7.

D. Contemporaneous Filings

As mentioned above, two filings are being submitted contemporaneously with this statement: (i) a rehearing request seeking expedited action and (ii) the filing of the tariff sheets to hold Casco Bay harmless regarding marginal losses. The ISO and MEPCO also have submitted a separate cover letter to provide an overview of the three submittals and to highlight their integrated nature.

II. MOTION TO EXTEND EFFECTIVE DATE TO FEBRUARY 1, 2008 AND TO CONVENE A TECHNICAL CONFERENCE

The ISO and MEPCO move to delay the effective date for the MEPCO Roll-in Proposal from December 1, 2007 to February 1, 2008, and for the convening of a technical conference in the interim. This motion is necessitated by the conditions imposed in the October 29 Order.

The conditions imposed on the MEPCO Roll-in Proposal in the October 29 Order – *inter alia*, the provision of a congestion “hedge” to Casco Bay that does not currently exist – cannot be implemented without imposing and/or shifting significant costs on New England Market Participants and/or MEPCO customers that these entities do not currently incur. The ISO and MEPCO believe that an expedited technical conference, and associated efforts by interested stakeholders during the two-month delay, could: (i) facilitate the formulation of an alternative solution to this and other critical roll-in issues that can be implemented promptly and will be acceptable to market participants and other interested stakeholders in the New England and Maritimes Control Areas, as well as to the Filing Parties; and/or (ii) provide the Commission with the opportunity to consider the rehearing request on an expedited basis.

III. ALTERNATIVE NOTICE OF CANCELLATION OF MEPCO ROLL-IN PROPOSAL

In the alternative, and if the Commission denies the request above to delay the effective date of the MEPCO Roll-in Proposal, this Notice of Cancellation of the August 16 Filing should

take effect with an effective date of November 30, 2007 (*i.e.*, one day before the MEPCO Roll-in Proposal was filed).

The reasoning behind this Notice of Cancellation is the same as that set forth in Section II above with respect to the motion for delay and technical conference: the conditions imposed in the October 29 Order cannot be implemented without imposing and/or shifting significant costs on New England Market Participants and/or MEPCO customers that these entities do not currently incur.

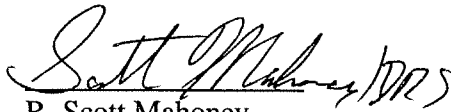
IV. CONCLUSION

For the reasons stated herein, the ISO and MEPCO ask the Commission to grant in an expedited manner their motion to delay the effective date of the MEPCO Roll-in Proposal from December 1, 2007 to February 1, 2008, and to convene a technical conference regarding the topics presented in the three contemporaneous filings.

In the alternative, should the motion to delay the effective date be denied, the enclosed Notice of Cancellation of the August 16 Filing should take effect, effective November 30, 2007 (*i.e.*, one day before the MEPCO Roll-in Proposal would have otherwise become effective).

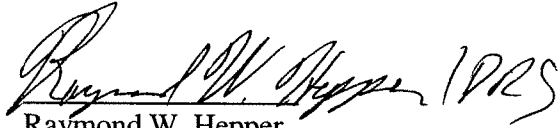
The ISO is serving this pleading: (i) electronically on all parties to this proceeding and on the members and alternates of the NEPOOL Participants Committee; and (ii) by hard copy on the Governors and energy regulatory agencies of the six New England states, on the New Brunswick System Operator and on the New Brunswick Power Corporation.

Respectfully submitted,

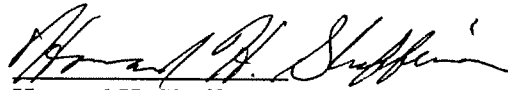


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November 28, 2007

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in these proceedings.

Dated at Washington, D.C. this 28th day of November, 2007.

A handwritten signature in black ink, appearing to read 'P. Higgins', written over a horizontal line.

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