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October 15, 2007

**VIA MESSENGER**

The Honorable Kimberly D. Bose  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, DC 20426

Re: *ISO New England Inc.*, Docket No. ER07-921-000; Amendment to Compliance Filing of ISO New England Inc.

Dear Secretary Salas:

Pursuant to Rule 1907 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (the "Commission"), 18 C.F.R. § 385.1907 (2006), ISO New England Inc. (the "ISO") submits this amendment to the July 23, 2007 compliance filing currently pending before the Commission ("July 23 Compliance Filing"), which was required by the June 21, 2007 letter order ("June 21 Order") issued in the referenced proceeding. As explained below, the ISO submits this amendment to avoid including privileged material in its rate schedule, the ISO's Transmission, Markets and Services Tariff ("ISO Tariff").

On May 18, 2007, the ISO filed pursuant to Section 205 of the Federal Power Act a rate schedule in the form of an agreement reached by the ISO and various ISO Market Participants concerning the cost allocation for out-of-merit operation of Mirant Canal, LLC's Canal Electric Generating Units 1 and 2 (the "May 18 Filing"). The May 18 Filing included, *inter alia*, a Settlement Agreement<sup>1</sup> and revisions to Market Rule 1.<sup>2</sup> The June 21 Order accepted the May 18 Filing, but required the ISO to resubmit the Settlement Agreement in a format that complies with Order No. 614.<sup>3</sup> The June 21 Order required this compliance filing because the Settlement

<sup>1</sup> May 18 Filing, Attachment 2.

<sup>2</sup> Attachments 4 and 5 to the May 18 Filing included the clean and marked versions of the Market Rule 1 revisions. Appendix D of the Settlement Agreement also included a copy of the Market Rule 1 revisions. Market Rule 1 is Section III of the ISO Tariff.

<sup>3</sup> *Designation of Electric Rate Schedule Sheets*, Order No. 614, FERC Stats. & Regs., Regulation Preambles 1996-2000 ¶ 31,096 at 31,501-02 (2000).

Agreement provided that, if approved or accepted by the Commission, it be treated as a rate schedule.<sup>4</sup> To comply with the June 21 Order, the July 23 Compliance Filing incorporated the Settlement Agreement into the ISO Tariff as a new Attachment H thereto. Because Appendices A, B, and C of the Settlement Agreement included privileged materials, the ISO created privileged (*i.e.*, non-redacted) and public (*i.e.*, redacted) versions of the tariff sheets on which those appendices appeared.

Commission staff has since contacted the ISO to raise its concern about the July 23 Compliance Filing creating privileged portions of a filed rate schedule. This amendment takes three steps to remedy their concern. First, regarding Settlement Agreement Appendix B, the ISO hereby withdraws its request for privileged treatment, because the two entities on whose behalf the ISO made the request, National Grid and NSTAR, have granted the ISO permission to make that information publicly available.<sup>5</sup> Therefore, the ISO includes herein a substitute public version of ISO Tariff Sheet No. 9960 providing Settlement Agreement Appendix B in full. Second, it is not necessary to treat Settlement Agreement Appendices A and C as rate schedules, and their omission from the ISO Tariff is reflected in substitute Sheet Nos. 9959 and 9961 included in this amendment.<sup>6</sup> To be clear, Appendices A and C remain binding and privileged under the Settlement Agreement as included in the May 18 Filing. Finally, the ISO withdraws the tariff sheets submitted under privileged seal in the July 23 Compliance Filing.

This amendment includes the following materials:

- blacklined tariff sheets<sup>7</sup> reflecting the removal of Appendices A and C of the Settlement Agreement from the ISO Tariff and the removal of privileged treatment for Appendix B (Attachment 1); and
- a clean version of the ISO Tariff sheets reflecting the changes proposed herein (Attachment 2).

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<sup>4</sup> Settlement Agreement § 2 (“It is a condition of this Settlement that it be filed with and approved or accepted by the Commission pursuant to Section 205 of the FPA. The Commission’s approval or acceptance of this Settlement Agreement gives this Settlement Agreement the status of a Commission approved rate schedule that confers rights and obligations on the Parties both as a contract and also pursuant to the provisions of the FPA.”).

<sup>5</sup> Thus, for purposes of its eLibrary system, the Commission may treat Appendix B to the privileged version of the Settlement Agreement as public (accession no. 20070523-0024).

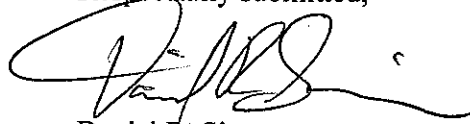
<sup>6</sup> Appendices A and C to the Settlement Agreement will remain privileged, and the Commission should continue to maintain the privileged seal for this material.

<sup>7</sup> The substitute sheets included in Attachment 1 are blacklined against the version submitted in the July 23 Compliance Filing.

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October 15, 2007  
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The ISO requests the Commission to accept its July 23 Compliance Filing, as amended herein. Please ask your staff to date-stamp the extra copies of this letter and return them to the messenger making this filing.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Daniel R. Simon', written over a horizontal line.

Daniel R. Simon  
Counsel for ISO New England Inc.

cc: All Parties to Docket No. ER07-921-000

## **Attachment 1**

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[Reserved for future use.]

**[Settlement Agreement Appendix A not included in Tariff]**

**~~APPENDIX A~~**  
**REIMBURSEMENTS**

**[PRIVILEGED INFORMATION PROVIDED SEPARATELY UNDER**  
**CONFIDENTIAL COVER]**

## APPENDIX B

### Section 3.4 Allocation of Section 3.1 Reimbursement as between National Grid and NSTAR

The allocation between NSTAR and National Grid of the Section 3.1 reimbursement obligation, \$20.50 million to the LSEs and \$3.77 million to the Municipals for a total of \$24.27, is determined as follows.

1. NSTAR and National Grid will share payments on a load ratio basis that will account for amounts associated with Basic Service Contracts and already passed through their retail rates. NSTAR and National Grid will provide the ISO-NE with the load asset information necessary to determine the amounts of 2006 SEMA Real-Time NCPC Charges for LSCPR paid by each of them under Basic Service Contracts with passthrough provisions.

2. The ISO-NE will bill each TO the net payment ("NP") derived from the following formula:

$$\text{NP} = (\text{Total } \$) (\text{LRS}) - (\text{Pass Through } \$)$$

3. The Load Ratio Share (LRS) for each TO is its 2006 Real-Time Load Obligations for SEMA Basic Service load plus competitively supplied load, which has been reconciled and includes losses, divided by the sum of the TOs' Real-Time Load Obligations for SEMA Basic Service load plus competitively supplied load, which has been reconciled and includes losses. The 2006 Real-Time Load Obligations for SEMA Basic Service load plus competitively supplied load for NSTAR is 5,790,530 MWh and for National Grid is 6,995 MWh. The LRS for NSTAR is 45.29% and for National Grid is 54.71%.

4. The Pass Through amount for each TO is the total 2006 SEMA Real-Time NCPC charges for LSCPR paid by such TO under Basic Service contracts with passthrough provisions. The Pass Through for NSTAR is \$5,863,489 and for National Grid is \$3,515,375.

5. The Total is the sum of the \$24.27 million Section 3.1 reimbursement plus the \$9.38 million pass through as shown in Item 4.

6. The Item 2 formula with the foregoing inputs produces the following results:

$$\text{NSTAR NP} = (\$33.65\text{M})(45.29\%) - \$5.863\text{M} = \$9.38\text{M}$$

$$\text{National Grid NP} = (\$33.65\text{M})(54.71\%) - \$3.51\text{M} = \$14.89\text{M}$$

7. Accordingly, the NSTAR share of the Section 3.1 reimbursement is \$9.38 million and the National Grid share of the Section 3.1 reimbursement is \$14.89 million.

**(PRIVILEGED INFORMATION PROVIDED SEPARATELY UNDER**

**CONFIDENTIAL COVER**

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[Reserved for future use.]

**[Settlement Agreement Appendix C not included in Tariff]**

**~~APPENDIX C  
LSE CONTRACTUAL AND PRICE PASSTHROUGHS~~**

**[PRIVILEGED INFORMATION PROVIDED SEPARATELY UNDER  
CONFIDENTIAL COVER]**

## Attachment 2

[Reserved for future use.]

**[Settlement Agreement Appendix A not included in Tariff]**

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## APPENDIX B

### Section 3.4 Allocation of Section 3.1 Reimbursement as between National Grid and NSTAR

The allocation between NSTAR and National Grid of the Section 3.1 reimbursement obligation, \$20.50 million to the LSEs and \$3.77 million to the Municipals for a total of \$24.27, is determined as follows.

1. NSTAR and National Grid will share payments on a load ratio basis that will account for amounts associated with Basic Service Contracts and already passed through their retail rates. NSTAR and National Grid will provide the ISO-NE with the load asset information necessary to determine the amounts of 2006 SEMA Real-Time NCPD Charges for LSCPR paid by each of them under Basic Service Contracts with passthrough provisions.

2. The ISO-NE will bill each TO the net payment ("NP") derived from the following formula:

$$NP = (\text{Total } \$) (\text{LRS}) - (\text{Pass Through } \$)$$

3. The Load Ratio Share (LRS) for each TO is its 2006 Real-Time Load Obligations for SEMA Basic Service load plus competitively supplied load, which has been reconciled and includes losses, divided by the sum of the TOs' Real-Time Load Obligations for SEMA Basic Service load plus competitively supplied load, which has been reconciled and includes losses. The 2006 Real-Time Load Obligations for SEMA Basic Service load plus competitively supplied load for NSTAR is 5,790,530 MWh and for National Grid is 6,995 MWh. The LRS for NSTAR is 45.29% and for National Grid is 54.71%.

4. The Pass Through amount for each TO is the total 2006 SEMA Real-Time NCPD charges for LSCPR paid by such TO under Basic Service contracts with passthrough provisions. The Pass Through for NSTAR is \$5,863,489 and for National Grid is \$3,515,375.

5. The Total is the sum of the \$24.27 million Section 3.1 reimbursement plus the \$9.38 million pass through as shown in Item 4.

6. The Item 2 formula with the foregoing inputs produces the following results:

$$\begin{aligned} \text{NSTAR NP} &= (\$33.65\text{M})(45.29\%) - \$5.863\text{M} = \$9.38\text{M} \\ \text{National Grid NP} &= (\$33.65\text{M})(54.71\%) - \$3.51\text{M} = \$14.89\text{M} \end{aligned}$$

7. Accordingly, the NSTAR share of the Section 3.1 reimbursement is \$9.38 million and the National Grid share of the Section 3.1 reimbursement is \$14.89 million.

[Reserved for future use.]

**[Settlement Agreement Appendix C not included in Tariff]**

**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 this proceeding.

Dated at Washington, D.C., this 15<sup>th</sup> day of October, 2007.

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

Pamela Higgins  
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