

in transmission investment has been placed into service since 2002. These investments reflect major bulk transmission projects in Connecticut, Maine, Massachusetts and Vermont, including a new interconnection with Canada, among others. Approximately \$5 billion more in transmission investment is under study, in the development stage, or under construction.

Briefly, the regional system planning process is designed to ensure the reliability of the New England Transmission System and compliance with national and regional planning standards, criteria and procedures, while accounting for market performance and economic, environmental and other considerations. As part of the planning process, the ISO undertakes assessments, which are coordinated with the transmission owners and the Planning Advisory Committee, of the needs of the regional system. These needs assessments analyze the adequacy of the regional system to maintain the reliability of the regional facilities while promoting the operation of efficient wholesale markets in New England. Through the planning process, the ISO publishes the results of the needs assessments so that stakeholders may develop and propose market solutions that may address identified needs. Where market responses incorporated into the assessments do not address the needs identified by the ISO through the regional system planning process, the ISO develops and/or evaluates, regulated transmission solutions proposed in response to the identified regional system needs.

In 2007, the ISO worked with stakeholders to enhance this already robust regional system planning process to comply with Order No. 890. Through that effort, the regional system planning process was improved to provide stakeholders with more clarity and transparency of the information and analysis available at each step of the process, including the development and evaluation of regulated transmission solutions, as well, as the incorporation of new supply and demand resources, acquired through New England's

wholesale power markets, into the planning process on a comparable basis. Consistent with Order No. 890's emphasis on continuous refinement, we most recently improved the availability of information on transmission project cost estimates by establishing new guidelines on reporting proposed project cost estimates.

The ISO further enhanced the regional planning process by incorporating Order No. 890's process for stakeholder-requested economic planning studies. Through this effective process the ISO has been able to provide information that stakeholder can use to assess the value of transmission investments to integrate New England's large-scale renewable resources. An example of this effort is the recently completed Scenario Analysis of Renewable Resource Development – a comprehensive analysis for the integration of renewable resources over a long-term horizon performed at the request of the Governors of the six New England states.³ This analysis identified the potential benefits to the region from the significant sources of wind energy that are available in New England, the effective means to integrate them to the grid, and preliminary transmission cost estimates. The results of this economic study also indicate that greater integration with the renewable-rich regions of Quebec and New Brunswick offers a appropriate solution to access nearby renewable resources.

The Governor's economic study is part of the New England Governors' ongoing effort to create a long-term energy plan for New England. It also serves as a basis to compare the costs and benefits of regional solutions with more nationally focused solutions such as the effort to develop large amounts of wind in the Midwest for long-distance delivery to the Northeast. Certain scenarios of the analysis indicate that, through the development in

³ Materials related to the Scenario Analysis of Renewable Resource Development are available on the ISO New England's website at http://www.iso-ne.com/committees/comm_wkgrps/prtcpnts_comm/pac/reports/index.html.

the northeast, New England and its neighbors can effectively meet the renewable goals of the region and others show that the region can be a net exporter of renewable power to contribute to the national goals.

As the federally-authorized planning authority for the electric transmission system in the New England Control Area, the ISO also has undertaken steps to further regional, inter-regional and interconnection-wide coordinated planning. Coordinated planning between the ISO and the local transmission owners is ongoing through, among other things, the expansion of the Planning Advisory Committee to review proposed plans addressing local concerns. The ISO also is engaged in inter-regional reliability and economic planning study efforts, led by the Joint ISO/RTO Planning Committee across the ISO-NE, NYISO and PJM regions. In addition to these efforts, the ISO is actively participating in the development of the Eastern Interconnection Planning Collaborative (“EIPC”) along with other planning authorities. The EIPC was established to provide a forum for interconnection-wide transmission planning consistent with regional plans using a roll-up approach, and to facilitate the conduct of transmission planning studies on an interconnection-wide basis with input from stakeholders, including federal, state and Canadian provincial officials, to address national and international planning issues.

New England’s existing cost allocation methodology has provided the certainty necessary to develop reliability-based transmission infrastructure in the region. New England’s existing cost allocation is clear: we regionalize costs for transmission projects that are needed to maintain reliability, but through our cost allocation process, costs for local benefits (such as the cost of undergrounding due to local aesthetic concerns) are paid by the local transmission owner. Inter-regional cost allocation has been a challenge, but not a

barrier. Through the Northeast ISO/RTO Planning Coordination Protocol, we have been able to act on inter-regional plans to build across regional boundaries by assigning costs for transmission investments consistent with the applicable provisions of each party's tariff. The replacement of the Norwalk-Northport underwater cable between Connecticut and Long Island and the development of a second 345 kV tie with New Brunswick are a testament to our ability to work across the boundaries and successfully implement inter-regional planning.

Although we have a cost allocation methodology in place, we continue working through issues related to funding for the economic-based projects. The region has engaged in robust discussions to identify the concerns and look for ways to move forward in this area. The Commission recently accepted a model – the NU/NSTAR HVDC line – which provides for the bundling of transmission costs and delivered energy into a long-term contract.⁴ This model gets the interested parties together and eliminates the cost/beneficiary allocation arguments. Certainly, there are other approaches for planning, building, and funding transmission infrastructure and it is important to explore them.

Although Order No. 890 has improved the planning process, one of the challenges that it has posed relates to the appropriate role for demand resources in the planning process. New England has been and remains a leader in increasing the role of demand response into its markets and its power system. We fully agree with the Commission that demand plays a key role in effective power markets, and our Forward Capacity Market continues to support new entry of demand. However, from a pure physical planning perspective, it poses challenges. If we plan a system based upon assumptions of specified levels of demand response over a 10-year horizon and economic conditions change, we could be left with a

⁴ *Northeast Utilities Service Company and NSTAR Electric Company*, 127 FERC ¶ 61,179 (2009).

sub-optimal system. We look forward to addressing this challenge with the Commission's staff and others as we move forward with Order No. 890 implementation.

We applaud the work of the Commission in enhancing the planning processes, particularly for pushing forward the economic planning study construct. Thank you for the opportunity to participate in this important discussion today.

Respectfully submitted,

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