



April 13, 2010

VIA HAND DELIVERY

Honorable Kimberly D. Bose, Secretary
Honorable Nathaniel J. Davis, Sr., Deputy Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

Re: ISO New England Inc. and New England Power Pool,
Docket No. ER10-____-000; Miscellaneous Revisions to ISO New England Financial
Assurance Policy; **Expedited Consideration Requested**

Dear Secretary Bose and Deputy Secretary Davis:

Pursuant to Section 205 of the Federal Power Act,¹ ISO New England Inc. (the "ISO") and the New England Power Pool ("NEPOOL") Participants Committee (together, the "Filing Parties") hereby jointly submit an original and five copies of this transmittal letter and tariff sheets reflecting miscellaneous revisions² to the ISO Financial Assurance Policy (the "Policy").³

As more fully described below and in the attached Testimony of Jeffrey B. Iafrati, the ISO's Market and Credit Risk Manager (which is sponsored solely by the ISO), the FAP Revisions: (1) clarify that the entity responsible for financial assurance related to the Forward Capacity Market ("FCM") is the Lead Market Participant for a resource; (2) modify the calculation of financial assurance requirements for capacity charges in the FCM; (3) update and conform the suspension provisions for Non-Municipal Market Participants with respect to certain bilateral transactions; (4) conform the financial assurance provisions related to termination of a

¹ 16 U.S.C. § 824d (2006 and Supp. II 2009).

² Hereinafter, the "FAP Revisions."

³ Capitalized terms used but not defined in this filing are intended to have the meaning given to such terms in the ISO New England Inc. Transmission, Markets and Services Tariff, FERC Electric Tariff No. 3 ("ISO Tariff"), the Second Restated New England Power Pool Agreement, and the Participants Agreement. The Policy is Exhibit IA to Section I of the ISO Tariff.

Capacity Supply Obligation in the FCM to the provisions of Market Rule 1;⁴ (5) establish consequences for a bank's failure to honor one or more letters of credit issued or confirmed in favor of the ISO; and (6) make additional FCM-related clean-up changes. **The Filing Parties respectfully request expedited consideration of this filing, with an effective date of June 1, 2010, for the reasons explained herein.**

I. DESCRIPTION OF THE FILING PARTIES; COMMUNICATIONS

The ISO is the private, non-profit entity that serves as the regional transmission organization ("RTO") for New England. The ISO operates the New England bulk power system and administers New England's organized wholesale electricity market pursuant to the ISO Tariff and the Transmission Operating Agreement with the New England transmission owners. In its capacity as an RTO, the ISO also has the objective to assure that the bulk power supply system within the New England Control Area conforms to proper standards of reliability as established by the Northeast Power Coordinating Council and the North American Electric Reliability Corporation.

NEPOOL is a voluntary association organized in 1971 pursuant to the New England Power Pool Agreement, and it has grown to include more than 420 members. The Participants include all of the electric utilities rendering or receiving services under the ISO Tariff, as well as independent power generators, marketers, load aggregators, brokers, consumer-owned utility systems, demand response providers, developers, end users and a merchant transmission provider. Pursuant to revised governance provisions accepted by the Commission in *ISO New England Inc. et al.*, 109 FERC ¶ 61,147 (2004), the Participants act through the NEPOOL Participants Committee. The Participants Committee is authorized by Section 6.1 of the Second Restated NEPOOL Agreement and Section 8.1.3(c) of the Participants Agreement to represent NEPOOL in proceedings before the Commission. Pursuant to Section 2.2 of the Participants Agreement, "NEPOOL provide[s] the sole Participant Process for advisory voting on ISO matters and the selection of ISO Board members, except for input from state regulatory authorities and as otherwise may be provided in the Tariff, TOA and the Market Participant Services Agreement included in the Tariff."

All correspondence and communications in this proceeding should be addressed to the undersigned for the ISO and NEPOOL as follows:

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

Honorable Kimberly D. Bose
Honorable Nathaniel J. Davis, Sr.
April 13, 2010
Page 3

To the ISO:

Kerim P. May, Esq.
Margoth R. Caley*
ISO New England Inc.
One Sullivan Road
Holyoke, MA 01040-2841
Tel: (413) 535-4045
Fax: (413) 535-4379
E-mail: kmay@iso-ne.com
mrcaley@iso-ne.com

Howard H. Shafferman, Esq.*
Ballard Spahr LLP
601 13th Street, NW
Suite 1000 South
Washington, DC 20005-3807
Tel: (202) 661-2200
Fax: (202) 661-2299
E-mail: hhs@ballardspahr.com

*Persons designated for service⁵

To NEPOOL:

Joel Gordon, Chairman*
NEPOOL Budget and Finance Subcommittee
c/o PSEG Power Connecticut, LLC
7 Steeple Lane
Amherst, NH 03031
Tel: (603) 673-6654
Fax: (603) 673-7784
E-mail: Joel.Gordon@pseg.com

Paul N. Belval, Esq.*
Day Pitney LLP
242 Trumbull Street
Hartford, CT 06103-1212
Tel: (860) 275-0381
Fax: (860) 881-2509
E-mail: pnbelval@daypitney.com

II. STANDARD OF REVIEW

The instant revisions are submitted pursuant to Section 205 of the Federal Power Act, which “gives a utility the right to file rates and terms for services rendered with its assets.”⁶ Under Section 205, the Commission “plays ‘an essentially passive and reactive’ role”⁷ whereby it “can reject [a filing] only if it finds that the changes proposed by the public utility are not ‘just and reasonable.’”⁸ The Commission limits this inquiry “into whether the rates proposed by a utility are reasonable – and [this inquiry does not] extend to determining whether a proposed rate schedule is more or less reasonable than alternative rate designs.”⁹ The revision “need not be the

⁵ Due to the joint nature of this filing, the Filing Parties respectfully request a waiver of Section 385.203 of the Commission’s regulations to allow the inclusion of more than two persons on the service list in this proceeding.

⁶ *Atlantic City Elec. Co. v. FERC*, 295 F.3d 1, 9 (D.C. Cir. 2002).

⁷ *Id.* at 10 (quoting *City of Winnfield v. FERC*, 744 F.2d 871, 876 (D.C. Cir. 1984)).

⁸ *Id.*

⁹ *City of Bethany v. FERC*, 727 F.2d 1131, 1136 (D.C. Cir. 1984).

only reasonable methodology, or even the most accurate.”¹⁰ As a result, even if an intervenor or the Commission develops an alternative proposal, the Commission must accept this Section 205 filing if it is just and reasonable.¹¹

III. DESCRIPTION OF THE PROPOSED REVISIONS

A. Clarifying that the Entity Responsible for Financial Assurance in the FCM is the Lead Market Participant for a Resource

Under Section VII of the Policy as currently written, the entity required to provide financial assurance related to activities in the FCM is the “Designated FCM Participant.”¹² “Designated FCM Participant” is currently defined as “[a]ny Market Participant transacting in any Forward Capacity Auctions, Reconfiguration Auctions, or Bilateral Transactions for capacity that is otherwise required to provide additional financial assurance under the Policy.”¹³ The definition’s reference to “any Market Participant” has caused confusion because the Lead Market Participant for a resource and the resource owner are not always the same, although both are Market Participants. This has created ambiguity about which entity is responsible for FCM-related financial assurance. To remove this ambiguity, the FAP Revisions clarify the introductory provisions of Section VII of the Policy to provide that the Designated FCM Participant is the “Lead Market Participant” for a resource transacting in any Forward Capacity Auctions, Reconfiguration Auctions, or Capacity Supply Obligation Bilaterals. Further, the FAP Revisions add language to Section VII providing that if the Lead Market Participant for a resource changes, then the new Lead Market Participant for the resource will become the Designated FCM Participant, and, accordingly, will be required to provide the financial assurance required for the FCM.

B. Modifying the Calculation of Financial Assurance Requirements for Capacity Charges in the FCM

Pursuant to Section II.C of the currently effective Policy, once the first Capacity Commitment Period for the FCM begins (on June 1, 2010), the calculation of LSE Capacity Charges will be used to determine the financial assurance requirements for capacity charges. The current calculation of LSE Capacity Charges is based on only one month of capacity

¹⁰ *Oxy USA, Inc. v. FERC*, 64 F.3d 679, 692 (D.C. Cir. 1995).

¹¹ *Cf. Southern California Edison Co., et al.*, 73 FERC ¶ 61,219 at 61,608 n. 73 (1995) (“Having found the Plan to be just and reasonable, there is no need to consider in any detail the alternative plans proposed by the Joint Protesters.” (citing *City of Bethany*, 727 F.2d at 1136)).

¹² *See* Policy at § VII.

¹³ *Id.*

charges.¹⁴ Because FCM capacity charges are billed one month in arrears, for much of a calendar month the default exposure for capacity charges can equal up to two months of capacity charges. Thus, the ISO and the Pool will be under-collateralized for capacity charges much of the time.

To address this issue, the FAP Revisions eliminate the use of the defined term “LSE Capacity Charges” in provisions identifying the components that contribute to the total required amount of financial assurance, and specify a calculation of FCM Capacity Charge Requirements, namely, the product of the Estimated Capacity Load Obligation times the Estimated Net Regional Clearing Price (“ENRCP”) for the applicable Capacity Zone.¹⁵ For purposes of the calculation of the FCM Capacity Charge Requirements, the Estimated Capacity Load Obligation will be the Capacity Requirement from the latest available month, adjusted as appropriate to account for any relevant Capacity Load Obligation Bilaterals, HQICCs, and Self-Supplied FCA Resource Designations for the applicable month. The ENRCP for a Capacity Zone will be calculated as follows:

- (i) If the latest available Net Regional Clearing Price for the Capacity Zone is for a month that is within the current Capacity Commitment Period, then the ENRCP will be the Net Regional Clearing Price for the latest available month for the applicable Capacity Zone.
- (ii) If the latest available Net Regional Clearing Price for the Capacity Zone is for a month that is within the immediately preceding Capacity Commitment Period, then the ENRCP will be the Net Regional Clearing Price for the latest available month for the applicable Capacity Zone, adjusted by the quotient of the Capacity Clearing Price for the applicable Capacity Commitment Period divided by the Capacity Clearing Price for the immediately preceding Capacity Commitment Period. If for the purpose of the calculation in this clause (ii) the Capacity Clearing Price for the Capacity Zone is not available from the immediately preceding Capacity Commitment Period, then the ENRCP to be used in the calculation of the FCM Capacity Charge Requirements will be the Capacity Zone’s Capacity Clearing Price for the applicable Capacity Commitment Period.

Using this new calculation for FCM Capacity Charge Requirements will reflect a more precise estimate of the ISO’s default exposure for capacity charges throughout the month, which will in turn allow the proper collateralization of those charges.

¹⁴ See Policy at § II.C(iv).

¹⁵ See Policy (as amended by FAP Revisions) at § VII.C.

C. Updating the Suspension Provisions for Non-Municipal Market Participants with Respect to Certain Bilateral Transactions

The suspension provisions in the Policy currently provide that any transactions with a suspended Non-Municipal Market Participant (other than transactions for Commercial Capacity or Non-Commercial Capacity during the Non-Commercial Capacity Cure Period) that cause the suspended Non-Municipal Market Participant to incur a financial obligation in the ISO's settlement system or any liability to the ISO, NEPOOL, or the Market Participants will be deemed terminated for purposes of the Day-Ahead Market Clearing and the ISO's settlement system.¹⁶ When this language was included in the Policy, there were no other provisions to collateralize Capacity Supply Obligation Bilaterals. However, last year the Policy was revised to collateralize the transfer of Capacity Supply Obligations acquired through Capacity Supply Obligation Bilaterals.¹⁷ Consequently, there is no need to deem a Capacity Supply Obligation Bilateral terminated if one of the parties to the transaction is a suspended Non-Municipal Market Participant. For that reason, language is being added to the Policy to provide that if a Non-Municipal Market Participant has provided the financial assurance required for a Capacity Supply Obligation Bilateral, then that Capacity Supply Obligation Bilateral will not be deemed terminated when that Non-Municipal Market Participant is suspended.¹⁸

D. Conforming the Financial Assurance Provisions Related to Termination of a Capacity Supply Obligation in the FCM to the Provisions of Market Rule 1

Section VII.C of the Policy currently provides¹⁹ that if a Designated FCM Participant fails to meet a qualification milestone or fails to have its Non-Commercial Capacity declared commercial by the ISO deadline for the applicable Capacity Commitment Period or otherwise takes any action that results in the termination of its Capacity Supply Obligation, then the ISO *will* terminate the relevant award of Non-Commercial Capacity and will draw down the financial assurance that was provided by the Designated FCM Participant for that Non-Commercial Capacity. This language is inconsistent with Section III.13.3.4(c) of Market Rule 1, which provides that if a Project Sponsor does not cover its Capacity Supply Obligation for the portion of the Capacity Commitment Period for which the project will not have achieved Commercial Operation, then the ISO, after consultation with the Project Sponsor, *shall have the right*, through

¹⁶ See Policy at § II.D.2.a.

¹⁷ See changes to Section VII.A of the Policy in filing by ISO New England Inc. and New England Power Pool in Docket No. ER10- 62-000 (filed October 14, 2009), accepted in letter order (November 10, 2009); compliance filing by ISO New England Inc. and New England Power Pool in Docket No. ER10-62-001 (filed December 10, 2009), accepted in letter order (February 19, 2010).

¹⁸ See Policy (as amended by FAP Revisions) at § II.D.2.a

¹⁹ Due to other changes included in the FAP Revisions as described in Section III.B of this transmittal letter, the substance of Section VII.C of the current version of the Policy becomes Section VII.D.

a filing with the Commission, to terminate the resource's Capacity Supply Obligation for any future Capacity Commitment Periods and the resource's right to any payments associated with that Capacity Supply Obligation in the Capacity Commitment Period and, upon Commission ruling, the Project Sponsor will forfeit any financial assurance provided with respect to that Capacity Supply Obligation.

To address this inconsistency, the language in the Policy is being revised to conform with the provisions of Market Rule 1. Pursuant to the amended language in the Policy, the ISO will draw down the financial assurance provided by the Designated FCM Participant if a Capacity Supply Obligation is terminated under the Market Rule.²⁰ New language is also being added to the Policy to state that if the Designated FCM Participant has not provided enough financial assurance to cover the amount due (or that would have been due but for the Designated FCM Participant's positive Credit Limit) by such Designated FCM Participant with respect to the Non-Commercial Capacity being terminated under the Market Rule, then the ISO will issue an Invoice to the Designated FCM Participant for that amount.²¹

E. Establishing Consequences for a Bank's Failure to Honor One or More Letters of Credit Issued or Confirmed in Favor of the ISO

An irrevocable standby letter of credit is an acceptable form of financial assurance under Section X of the Policy. To be eligible to issue letters of credit in favor of the ISO, a bank must comply with the requirements outlined in the Policy. In addition, each letter of credit provided by a Posting Entity (i.e., a Market Participant or Non-Market Participant Transmission Customer) must be in the form included as Attachment 2 to the Policy. The language in the form letter of credit allows the ISO to draw on the letter of credit by presenting a drawing certificate to the bank. Specifically, the form letter of credit provides that if a drawing certificate is presented on a business day before 10:00 a.m., the bank must satisfy the drawing request on the same business day. If the drawing certificate is received after 10:00 a.m., then the bank must satisfy the drawing request on the next business day.

In February and November of 2009, the ISO presented drawing certificates to two different banks on business days before 10:00 a.m., but the banks failed to wire the funds to the ISO on those same business days as required by the terms of the letters of credit. In these two instances, the Posting Entities paid their outstanding invoices on the same days when the letters of credit were not honored by the banks and, as a result, the ISO had enough funds to pay weekly remittances. However, had those Posting Entities not paid their invoices, the ISO would not have had sufficient funds to pay weekly remittances without enacting additional measures as provided for under Section 3.3 of the ISO's Billing Policy concerning payment defaults.

²⁰ See Policy (as amended by FAP Revisions) at § VII.D.

²¹ *Id.*

In order to protect against similar situations in the future, and to deter banks from not honoring the terms of letters of credit issued or confirmed²² in favor of the ISO, language has been added to the Policy²³ to provide that, if a bank fails to honor one or more letters of credit, then the ISO will issue a notice of such failure to the NEPOOL Budget and Finance Subcommittee, to all members and alternates of the Participants Committee, to the New England governors and utility regulatory agencies and to the billing and credit contacts for all Market Participants. Further, if a bank fails to honor either the terms of one letter of credit twice or the terms of two letters of credit in a rolling seven hundred and thirty day period, then the bank will no longer be eligible to issue or confirm letters of credit in favor of the ISO and any letters of credit already issued or confirmed by such bank in favor of the ISO will not be renewed.

F. Effecting Additional FCM-Related Clean-Up Changes

The FAP Revisions effect a few additional FCM-related clean-up changes that include, among others: (1) replacing the term “Bilateral Transaction” with the correct term “Capacity Supply Obligation Bilateral;” (2) deleting language related to Installed Capability transactions (which will no longer exist after the beginning of the first Capacity Commitment Period); and (3) making other clean-up changes to the language providing that if only a portion of a Resource is declared commercial, then the Designated FCM Participant is still required to include an amount attributable to any remaining Non-Commercial Capacity in the calculation of its financial assurance requirement.²⁴

IV. STAKEHOLDER PROCESS

The elements of the FAP Revisions were reviewed by the NEPOOL Budget and Finance Subcommittee at a series of meetings. The ISO discussed clarifying that the entity responsible for financial assurance related to the FCM is the Lead Market Participant for a resource (see Section III.A of this transmittal letter) and modifying the calculation of financial assurance requirements for capacity charges in the FCM (see Section III.B of this transmittal letter) with the NEPOOL Budget and Finance Subcommittee at its October 26, 2009 meeting, and no Subcommittee members objected to those revisions. The ISO discussed conforming the

²² Confirmed letters of credit will be an acceptable form of financial assurance following the effective date of the revisions to the Policy filed in Docket No. ER10-942-000, if accepted by the Commission. The effective date for those changes will be on or after December 1, 2010, based on advance notice provided by the ISO.

²³ See Policy (as amended by FAP Revisions) at § X.B.

²⁴ See Policy (as amended by FAP Revisions) at §§ II and VII. The FAP Revisions also include other very minor non-substantive revisions that are intended to clarify the language in the Policy. The Filing Parties have not addressed each of these changes individually in this transmittal letter.

suspension provisions for Non-Municipal Market Participants with respect to certain bilateral transactions (see Section III.C of this transmittal letter), amending the financial assurance provisions related to termination of a CSO in the FCM (see Section III.D of this transmittal letter), and establishing consequences for a bank's failure to honor letters of credit issued or confirmed in favor of the ISO (see Section III.E of this transmittal letter) and effecting additional FCM-related clean-up changes (see Section III.F of this transmittal letter), with the Budget and Finance Subcommittee at its March 22, 2010 meeting, and again no Subcommittee members objected to those revisions. The Participants Committee unanimously supported the FAP Revisions at its April 9, 2010 meeting.

V. REQUESTED EFFECTIVE DATE AND REQUEST FOR WAIVER

As described above, the majority of the revisions contained in the instant filing are related to the financial assurance requirements for the FCM. Accordingly, the Filing Parties request expedited consideration of the revisions so the proposed changes will become effective on June 1, 2010, the start of the first Capacity Commitment Period. In order to achieve that deadline, the Filing Parties request that the Commission waive, as necessary, the 60-day notice requirement that will begin to run once these changes are filed with the Commission. No party will be adversely affected by the waiver requested in these circumstances.

VI. ADDITIONAL SUPPORTING INFORMATION

Section 35.13 of the Commission's regulations generally requires public utilities to file certain cost and other information related to an examination of traditional cost-of-service rates.²⁵ However, the revision is not a traditional "rate" and the Filing Parties are not traditional investor-owned utilities. In light of these circumstances, the Filing Parties submit the following additional information in substantial compliance with relevant provisions of Section 35.13, and request a waiver of Section 35.13 of the Commission's regulations to the extent the content or form deviates from the specific technical requirements of the regulations.

35.13(b)(1) - Materials included herewith are as follows:

- ◆ This transmittal letter;
- ◆ Blacklined Tariff Sheets reflecting the FAP Revisions (Attachment 1);
- ◆ Clean Revised Tariff Sheets reflecting the FAP Revisions (Attachment 2);

²⁵ 18 C.F.R. § 35.13 (2009).

- ♦ Testimony of Jeffrey B. Iafrati, solely sponsored by the ISO (Attachment 3); and
- ♦ List of governors, utility regulatory agencies in Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont, and other entities, to which a copy of this filing is being e-mailed (Attachment 4).

35.13(b)(2) - The Filing Parties request that the revision become effective on June 1, 2010. The Filing Parties request that the Commission waive, as necessary, the 60-day notice requirement that will begin to run once these changes are filed with the Commission in order to achieve this effective date.

35.13(b)(3) - Pursuant to Section 17.11(e) of the Participants Agreement, Governance Participants are being served electronically rather than by paper copy. The names and addresses of the Governance Participants are posted on the ISO's website at http://www.iso-ne.com/regulatory/ferc/nepool/gov_ptcpts_eserved.pdf. A copy of this transmittal letter and the accompanying materials have also been e-mailed to the governors and electric utility regulatory agencies for the six New England states that comprise the New England Control Area, the New England Conference of Public Utility Commissioners, Inc., and to the New England States Committee on Electricity. Their names and e-mail addresses are shown in Attachment 4. In accordance with Commission rules and practice, there is no need for the Governance Participants or the entities identified on Attachment 4 to be included on the Commission's official service list in the captioned proceeding unless such entities become intervenors in this proceeding.

35.13(b)(4) - A description of the materials submitted pursuant to this filing is contained in Section VI of this transmittal letter.

35.13(b)(5) - The reasons for this filing are discussed in Section III of this transmittal letter.

35.13(b)(6) - The ISO's approval of these revisions is evidenced by this filing. With respect to NEPOOL's approval, as noted in Section IV of this transmittal letter, these changes reflect the results of the Participant Processes required by the Participants Agreement and have been approved by a unanimous vote of the Participants Committee.

35.13(b)(7) - The Filing Parties do not have knowledge of any relevant expenses or costs of service that have been alleged or judged in any administrative or judicial proceeding to be illegal, duplicative, or unnecessary costs that are demonstrably the product of discriminatory employment practices.

Honorable Kimberly D. Bose
Honorable Nathaniel J. Davis, Sr.
April 13, 2010
Page 11

VII. CONCLUSION

This transmittal letter explains why the instant revision is just and reasonable. The Filing Parties request that the Commission accept this filing effective June 1, 2010, without condition, suspension or hearing.

Please acknowledge receipt of the foregoing by date-stamping the enclosed extra copies of this filing and returning them to the courier delivering this filing.

Respectfully submitted,

ISO NEW ENGLAND INC.

By: Kerim P. May / *hhs*
Kerim P. May
Margoth R. Caley
ISO New England Inc.
One Sullivan Road
Holyoke, MA 01040-2841
(413) 540-4585

Howard H. Shafferman
Ballard Spahr LLP
601 13th Street, NW, Suite 1000 South
Washington, DC 20005-3807
(202) 661-2200
Its Attorneys

NEPOOL PARTICIPANTS COMMITTEE

By: Paul N. Belval / *hhs*
Paul N. Belval
Day Pitney LLP
242 Trumbull Street
Hartford, CT 06103-0212
(860) 275-0381
Its Attorneys

Attachment 1

EXHIBIT IA
ISO NEW ENGLAND FINANCIAL ASSURANCE POLICY

Table of Contents

Overview.....49

I. LIABILITY AND TREATMENT OF GROUPS REGARDED AS SINGLE MARKET PARTICIPANTS50

II. FINANCIAL ASSURANCE REQUIREMENTS FOR NON-MUNICIPAL APPLICANTS AND NON-MUNICIPAL MARKET PARTICIPANTS52

A. Proof of Financial Viability for Non-Municipal Applicants.....52A

B. Ongoing Financial Review54

1. Provision of Financial Assurances by Non-Municipal Market Participants.....54

a. Rated Market Participants.....54

b. Unrated Market Participants55A

2. Credit Limit for Non-Municipal Market Participants57

a. Credit Limit for Rated Non-Municipal Market Participants.....57

b. Credit Limit for Unrated Non-Municipal Market Participants59

c. Credit Limit for FTR-Only Customers and DRP-Only Customers60

3. Information Reporting Requirements for Market Participants60

C. Financial Assurance Requirement for Non-Municipal Market Participants.....62

D. Credit Test Calculations, Notice and Suspension from the New England Markets65

1. Credit Test Calculations and Notices.....65

a. 80 Percent Test.....65

b. 90 Percent Test.....66

c. 100 Percent Test.....66

2. Suspension from the New England Markets.....68

a. General.....68

b. Load Assets.....70A

c. FTRs.....71

d. Virtual Transactions.....71A

3. Serial Notice and Suspension Penalties71A

~~III. FINANCIAL ASSURANCE PROVISIONS FOR MUNICIPAL APPLICANTS AND MUNICIPAL MARKET PARTICIPANTS.....72~~

~~A. Proof of Financial Viability73~~

1. Municipal Applicants.....	73
2. Municipal Market Participants.....	73A
B. Financial Statements of Municipal Applicants.....	74
C. Ongoing Financial Review for Municipal Market Participants.....	75
D. Other Financial Assurances for Municipal Market Participants.....	75
E. Additional Financial Assurance Requirements for Certain Municipal Market Participants.....	79

<u>III.</u>	<u>FINANCIAL ASSURANCE PROVISIONS FOR MUNICIPAL APPLICANTS AND MUNICIPAL MARKET PARTICIPANTS.....</u>	<u>72</u>
A.	Proof of Financial Viability	73
1.	Municipal Applicants.....	73
2.	Municipal Market Participants.....	73A
B.	Financial Statements of Municipal Applicants.....	74
C.	Ongoing Financial Review for Municipal Market Participants.....	75
D.	Other Financial Assurances for Municipal Market Participants.....	75
E.	Additional Financial Assurance Requirements for Certain Municipal Market Participants	79
IV.	FINANCIAL ASSURANCE REQUIREMENTS FOR CERTAIN NEW AND RETURNING MARKET PARTICIPANTS.....	79A
V.	FINANCIAL ASSURANCE REQUIREMENTS FOR NON-MARKET PARTICIPANT TRANSMISSION CUSTOMERS	79F
A.	Proof of Financial Viability	79F
B.	Ongoing Financial Review	79H
1.	Rated Non-Market Participant Transmission Customer Applicants and Transmission Customers.....	79H
2.	Unrated Non-Market Participant Transmission Customers.....	79H
C.	Information Reporting Requirements for Non-Market Participant Transmission Customers.....	79I
D.	Financial Assurance Requirement for Non-Market Participant Transmission Customers.....	79J
VI.	ADDITIONAL FINANCIAL ASSURANCE PROVISIONS FOR FTR TRANSACTIONS	79L
A.	FTR Settlement Risk Financial Assurance	79L
B.	Bid Financial Assurance	80

C.	Award Financial Assurance	80
D.	Settlement Financial Assurance	80A
E.	Consequences of Failure to Satisfy FTR Requirements	80A
VII.	ADDITIONAL FINANCIAL ASSURANCE PROVISIONS FOR FORWARD CAPACITY MARKETS	81
A.	Commercial Capacity.....	81A
	1. <u>Transfer of Capacity Supply Obligation in Reconfiguration Auction.....</u>	81A
	2. <u>Transfer of Capacity Supply Obligation in Capacity Supply Obligation Bilateral.....</u>	81A.02
	3. <u>Financial Assurance Credits for Capacity Supply Obligations.....</u>	81A.02
B.	Non-Commercial Capacity	81B
	1. FCM Deposit.....	81B
	2. Non-Commercial Capacity in Forward Capacity Auctions	81B.01
	3. Non-Commercial Capacity in Reconfiguration Auctions.....	81C
	a. <u>Acquiring Capacity Supply Obligations</u>	81C
	b. <u>Transfer of Capacity Supply Obligations</u>	81D.01
	4. Non-Commercial Capacity in <u>Capacity Supply Obligation Bilaterals Transactions.....</u>	81D.0281E
	a. <u>Acquiring Capacity Supply Obligations</u>	81D.02
	b. <u>Transfer of Capacity Supply Obligations</u>	81E
	5. Return of Financial Assurance.....	81E.01
	6. Credit Test Amount Consequences.....	81F
	7. Financial Assurance for Multiple Auctions and Transactions.....	81F
C.	<u>FCM Capacity Charge Requirements</u>	81F.01
D.	<u>Loss of Capacity and Forfeiture of Financial Assurance.....</u>	81F.01a
E.	Composite FCM Transactions	81H
VIII.	FINANCIAL ASSURANCE REQUIREMENTS FOR DRP-ONLY CUSTOMERS IN DEMAND RESOURCE TRANSACTIONS	81L
A.	DRP-Only Customer Financial Assurance	81L
IX.	THIRD PARTY CREDIT PROTECTION.....	82
X.	ACCEPTABLE FORMS OF FINANCIAL ASSURANCE.....	83
	A. Cash Deposit.....	83
	B. Letter of Credit.....	85
	C. Corporate Guaranty.....	86

1.	Requirements for Non Foreign Guarantors	89
2.	Requirements for Foreign Guarantors	91
D.	Special Provisions for Provisional Members	93C.01

IX.	THIRD-PARTY CREDIT PROTECTION.....	82
X.	ACCEPTABLE FORMS OF FINANCIAL ASSURANCE.....	83
	A. Cash Deposit.....	83
	B. Letter of Credit.....	85
	C. Corporate Guaranty.....	86
	1. Requirements for Non-Foreign Guarantors	89
	2. Requirements for Foreign Guarantors	91
	D. Special Provisions for Provisional Members	93C.01
XI.	MISCELLANEOUS PROVISIONS.....	94
	A. Obligation to Report Material Changes	94
	B. Weekly Payments.....	95
	C. Use of Transaction Setoffs.....	97
	D. Reimbursement of Costs.....	97
	E. Notification of Default.....	98
	F. Remedies Not Exclusive.....	99
	G. Inquiries and Contests.....	99
	H. Forward Contract/Swap Agreement	99A
	ATTACHMENT 1 - SECURITY AGREEMENT	100
	ATTACHMENT 2 - SAMPLE LETTER OF CREDIT	111
	ATTACHMENT 3 - CORPORATE GUARANTY	117

A Non-Municipal Market Participant that knows that it is not satisfying its Non-Municipal Financial Assurance Requirement shall notify the ISO immediately of that fact.

For purposes of this Policy:

- (i) a Non-Municipal Market Participant’s “Hourly Requirements” at any time will be the sum of (x) the Hourly Charges⁸ for such Non-Municipal Market Participant that have been invoiced but not paid (which amount shall not be less than \$0), plus (y) the Hourly Charges for such Non-Municipal Market Participant that have been settled but not invoiced, plus (z) such Non-Municipal Market Participant’s most recent six (6) days of settled Hourly Charges (whether these Hourly Charges have been invoiced or not) (which amount shall not in any event be less than \$0);
- (ii) a Non-Municipal Market Participant’s “Non-Hourly Requirements” at any time will be determined by averaging that Non-Municipal Market Participant’s Non-Hourly Charges (not including (A) the amount due from or to such Non-Municipal Market Participant for FTR transactions, (B) any amounts due from such Non-Municipal Market Participant for capacity transactions~~LSE Capacity Charges (as defined below)~~, (C) any amounts due under

⁸ As used in this Policy, the terms “non-Hourly Charges” and “Hourly Charges” shall have the same meaning as ascribed to them in the Billing Policy, and shall include both charges due from the Non-Municipal Market Participant and payments due to that Non-Municipal Market Participant.

Section 14.1 of the RNA, and (D) the amount of any Qualification Process Cost Reimbursement Deposit (including the annual true-up of that amount) due from such Non-Municipal Market Participant) over the two most recently invoiced calendar months; provided that such Non-Hourly Requirements shall in no event be less than zero;

(iii) a Non-Municipal Market Participant's Virtual Requirements at any time will equal the amount of all unsettled Increment Offers and Decrement Bids submitted by such Non-Municipal Market Participant at such time (which amount of unsettled Increment Offers and Decrements will be calculated by the ISO according to a methodology approved from time to time by the NEPOOL Budget and Finance Subcommittee and posted on the ISO's website);

~~(iv) the "LSE Capacity Charges" at any time for any Market Participant that is a load serving entity will be (x) the amount that will be due from that Market Participant, for capacity charges on the next regular monthly Statement to be issued by the ISO, if those capacity charges are determinable by the ISO at the time of the calculation, or (y) if those capacity charges are not known at the time of the calculation, the average of the capacity charges on that Market Participant's two most recent monthly Statements, or (z) if those capacity charges are not known at the time of the calculation and that Market Participant does not have least two monthly Statements with capacity charges, the ISO's reasonable projection of the amount that will be due from that Market Participant for capacity charges on the next regular monthly Statement to be issued by the ISO; and~~

(iv) a Non-Municipal Market Participant’s “Obligations” at any time will be equal to the sum at such time of:

- a. such Non-Municipal Market Participant’s Hourly Requirements; plus
- b. such Non-Municipal Market Participant’s Virtual Requirements; plus
- c. such Non-Municipal Market Participant’s Non-Hourly Requirements times 2.50 (subject to Section X.D with respect to Provisional Members); plus
- ~~d. such Non-Municipal Market Participant’s LSE Capacity Charges; plus~~
- de. such Non-Municipal Market Participant’s “FTR Requirements” under Section VI below; plus
- ef. such Non-Municipal Market Participant’s “FCM Requirements” under Section VII below; plus
- fg. if such Non-Municipal Market Participant is a DRP-Only Customer, such Non-Municipal Market Participant’s Demand Resource Requirement under Section VIII.A below; plus
- gh. the amount of any Disputed Amounts (as defined in the Billing Policy) received by such Non-Municipal Market Participant.

shall occur with respect to such downgrade if such Non-Municipal Market Participant cures such default within such ten Business Day period.

Notwithstanding the foregoing, a Non-Municipal Market Participant shall neither (x) receive a notice that its Obligations exceed 100 percent (100%) of its Credit Test Amount nor (y) be suspended under this Section II.D.1.c if (i) the amount by which that Non-Municipal Market Participant's Obligations exceed its Credit Test Amount is less than \$1,000 or (ii) that Non-Municipal Market Participant's status with the ISO has been terminated.

2. Suspension from the New England Markets

a. General

The suspension of a Non-Municipal Market Participant, and any resulting annulment, termination or removal of OASIS reservations, removal from the settlement system and the FTR system, suspension of the ability to offer Non-Commercial Capacity in the Forward Capacity Market, drawing down of financial assurance and rejection of Increment Offers and Decrement Bids, shall not limit, in any way, the ISO's right to invoice or collect payment for any amounts owed (whether such amounts are due or becoming due) by such suspended Non-Municipal Market Participant under the Tariff or the ISO's right to administratively submit a bid or an offer of a Market Participant's Non-Commercial Capacity in any Forward Capacity Auction or any Reconfiguration Auction or to make other adjustments under the Market Rules.

In addition to the notices provided herein, the ISO will provide any additional information required under the ISO New England Information Policy.

control notwithstanding any other provision of the Tariff to the contrary. A suspended Non-Municipal Market Participant shall have no ability so long as it is suspended (i) to be reflected in the ISO's settlement system, including any ~~b~~Bilateral ~~t~~Transactions, as either a purchaser or a seller of any products or services sold through the New England Markets (other than (A) Commercial Capacity and (B) Non-Commercial Capacity during the Non-Commercial Capacity Cure Period, as defined in Section VII below) that cause such Suspended Non-Municipal Market Participant to incur a financial obligation in the ISO's settlement system or any liability to the ISO, NEPOOL, or the Market Participants, (ii) to submit Demand Bids, Decrement Bids or Increment Offers in the New England Markets, or (iii) to submit offers for Non-Commercial Capacity in any Forward Capacity Auction or Reconfiguration Auction or acquire Non-Commercial Capacity through a Capacity Supply Obligation Bilateral. Any transactions, including ~~b~~Bilateral ~~t~~Transactions with a suspended Non-Municipal Market Participant (other than transactions for (A) Commercial Capacity and (B) Non-Commercial Capacity during the Non-Commercial Capacity Cure Period) that cause such suspended Non-Municipal Market Participant to incur a financial obligation in the ISO's settlement system or any liability to the ISO, NEPOOL, or the Market Participants and any Demand Bids, Decrement Bids and Increment Offers submitted by a suspended Non-Municipal Market Participant shall be deemed to be terminated for purposes of the Day-Ahead Market Clearing and the ISO's settlement system. However, if a Non-Municipal Market Participant has provided the financial assurance required for a Capacity Supply Obligation Bilateral, then that Capacity Supply Obligation Bilateral will not be deemed to be terminated when that Non-Municipal Market Participant is suspended. ~~Solely for purposes of this Policy, reductions to the Capacity Supply Obligations of a~~

~~suspended Non-Municipal Market Participant that result from cleared demand bids in a Forward
Capacity Auction or Reconfiguration Auction or from a~~

~~Bilateral Transaction will be first applied to the Commercial Capacity of the Resources of that suspended Non-Municipal Market Participant and then, when all such Commercial Capacity has been cleared, to the Non-Commercial Capacity of the Resources of that suspended Non-Municipal Market Participant.~~

~~A suspended DRP-Only Customer shall have no ability to participate in any Installed Capability transactions during the course of its suspension; provided that such DRP-Only Customer may receive credit for its Installed Capability during the course of its suspension.~~

b. Load Assets

Any load asset registered to a suspended Non-Municipal Market Participant shall be terminated, and the obligation to serve the load associated with such load asset (~~including the related Installed Capability obligation~~) shall be assigned to the relevant unmetered load asset(s) unless and until the host Non-Municipal Market Participant for such load assigns the obligation to serve such load to another asset. If the suspended Non-Municipal Market Participant is responsible for serving an unmetered load asset, such suspended Non-Municipal Market Participant shall retain

no longer required pursuant to the terms hereof, shall remain in effect until the later of (a) 120 days after termination of the Municipal Market Participant's membership or (b) the end date of all FTRs awarded to the Municipal Market Participant and the final satisfaction of all obligations of the Municipal Market Participant providing that financial assurance; provided, however that financial assurances required by this Policy related to potential billing adjustments chargeable to a terminated Municipal Market Participant shall remain in effect until such billing adjustment request is finally resolved in accordance with the provisions of the Billing Policy. In addition, the ISO shall not return or permit the termination of any financial assurance provided under this Policy by a Municipal Market Participant that has terminated its membership or been terminated to the extent that the ISO determines in its reasonable discretion that that financial assurance will be required under this Policy with respect to an unsettled liability or obligation owing from that Municipal Market Participant.

A Municipal Market Participant that is not a Qualifying Municipal Market Participant must provide additional financial assurance in the amount equal to the sum of:

- (i) 3½ times the sum of (x) the aggregate Hourly Charges reflected on such Municipal Market Participant's four (4) most recent weekly Invoices issued under the Billing Policy plus (y) the average monthly Non-Hourly Charges for such Municipal Market Participant (not including (A) the amount due from or to such Municipal Market Participant for FTR transactions, (B) any amounts due from or to such Municipal Market Participant for capacity transactions ~~LSE Capacity Charges~~, (C) any amounts due under Section 14.1 of the

RNA), and (D) the amount of any Qualification Process Cost Reimbursement Deposit (including the annual true-up of that amount) due from such Municipal Market Participant) over the two most recently invoiced calendar months (which amount shall not in any event be less than \$0); plus

(ii) ~~such Municipal Market Participant's LSE Capacity Charges; plus~~

(iii) such Municipal Market Participant's "FTR Requirements" under Section VI below; plus

(~~iii~~) such Municipal Market Participant's "FCM Requirements" under Section VII below; plus

(iv) the amount of any unresolved Disputed Amounts received by such Municipal Market Participant (the "Municipal Financial Assurance Requirement").

To the extent that the calculations of the components of a Municipal Market Participant's Municipal Financial Assurance Requirement as described above produce positive and negative values, such components may offset each other; provided, however, that a Municipal Market Participant's Municipal Financial Assurance Requirement at any time shall never be less than \$0.

Requirements for the duration of the FTRs awarded to it. The amount of any additional financial assurance provided by a Designated FTR Participant in connection with an unsuccessful bid in an FTR Auction which, as a result of such bid being unsuccessful, is in excess of its FTR Requirements will be held by the ISO and will be applied against future FTR bids by and awards to that Designated FTR Participant unless that Designated FTR Participant requests in writing to have such excess financial assurance returned to it. Prior to returning any financial assurance to a Designated FTR Participant, the ISO shall use such financial assurance to satisfy any overdue obligations of that Designated FTR Participant. The ISO shall only return to that Designated FTR Participant the balance of such financial assurance after all such overdue obligations have been satisfied.

VII. ADDITIONAL FINANCIAL ASSURANCE PROVISIONS FOR FORWARD CAPACITY MARKETS

Any Lead Market Participant, including any Provisional Member or DRP-Only Customer that is a Lead Market Participant, transacting in any Forward Capacity Auctions, Reconfiguration Auctions or Capacity Supply Obligation Bilaterals~~Bilateral Transactions~~ for capacity that is otherwise required to provide additional financial assurance under this Policy, ~~including all DRP-Only Customers participating in Forward Capacity Auctions, Reconfiguration Auctions or Bilateral Transactions for capacity~~ (each a “Designated FCM Participant”), is required to provide additional financial assurance meeting the requirements of Section X below in the amounts described in this Section VII (such amounts being referred to in this Policy as the “FCM Requirements”). If the Lead Market Participant for a Resource changes, then the new Lead Market Participant for the Resource shall become the Designated FCM Participant.

A. ~~Commercial Capacity~~

~~A Designated FCM Participant offering the capacity of a Resource that (i) has been declared commercial and had its capacity rating verified by the ISO and (ii) has not~~

A. Commercial Capacity

A Designated FCM Participant offering the capacity of a Resource that (i) has been declared commercial and had its capacity rating verified by the ISO and (ii) has not elected to be treated as,
and is not required to be treated as, a New Generating Capacity Resource in connection with new investment in that Resource pursuant to the Market Rules (“Commercial Capacity”) into an upcoming Forward Capacity Auction or providing Commercial Capacity during any Capacity Commitment Period must generally comply with the requirements of this Policy with respect to such transactions; provided, however, that for any Resource representing Commercial Capacity that has been permitted to retire at the end of a current Capacity Commitment Period under Section I.3.9 of the ISO Tariff or any similar provision and whose obligation to provide all of such Commercial Capacity during that Capacity Commitment Period has not been transferred to another Resource, the Designated FCM Participant for such Resource shall include in the calculation of its Financial Assurance Requirement under the Policy, beginning at least five (5) Business Days prior to the applicable Capacity Commitment Period, an amount equal to two and one-half (2.5) times the monthly FCM Payment due to such Designated FCM Participant with respect to such Commercial Capacity during the applicable Capacity Commitment Period.

1. Transfer of Capacity Supply Obligation in Reconfiguration Auction

A Designated FCM Participant that seeks to transfer its Capacity Supply Obligation with respect to Commercial Capacity in a Reconfiguration Auction must include in the calculation of its Financial Assurance Requirement under this Policy, prior to the close of bidding in that Reconfiguration Auction, the amounts described in subsections (a) and (b) below.

(a) ~~For the period including the earliest month that has not yet been billed and each of the eleven months immediately thereafter, the sum of that Designated FCM Participant's net monthly charges for each month in which the net FCM revenue~~

(a) For the period including the earliest month that has not yet been billed and each of the eleven months immediately thereafter, the sum of that Designated FCM Participant's net monthly charges for each month in which the net FCM revenue results in a charge. For purposes of this subsection (a), months in this period in which that Designated FCM Participant's net FCM revenue results in a credit are disregarded (i.e., the net credits from such months are not used to reduce the amount described in this subsection (a)). The amount described in this subsection (a), if any, will increase the Designated FCM Participant's Financial Assurance Requirement.

(b) For the period including each month that is after the period described in subsection (a) above and that is included in a Capacity Commitment Period for which a Forward Capacity Auction has been conducted, the sum of that Designated FCM Participant's net monthly charges for each month in which the net FCM revenue results in a charge. For this period, the sum of such charges may be offset by net credits from months in which the net FCM revenue results in a credit, but in no case will the amount described in this subsection (b) be less than zero. The amount described in this subsection (b), if any, will increase the Designated FCM Participant's Financial Assurance Requirement.

For purposes of these calculations, the net FCM revenue for a month shall be determined by accounting for all charges and credits related to Capacity Supply Obligations in the Forward Capacity Market for the month, including those resulting from the Forward Capacity Auction, any applicable Reconfiguration Auctions, and any applicable Capacity Supply Obligation ~~Bilaterals~~Bilateral Transactions. However, such charges and credits shall not include uncleared offers to supply capacity in any applicable Reconfiguration Auctions or any applicable Capacity Supply Obligation ~~Bilaterals~~Bilateral Transactions. Upon the completion of each Reconfiguration Auction,

the amount to be included in the calculation of any Financial Assurance Requirement of that Designated FCM Participant shall be adjusted to reflect the cleared MW at the zonal clearing price for all activity in that Reconfiguration Auction.

2. Transfer of Capacity Supply Obligation in Capacity Supply Obligation Bilateral Transaction

A Designated FCM Participant that seeks to transfer its Capacity Supply Obligation with respect to Commercial Capacity in a Capacity Supply Obligation Bilateral Transaction must include in the calculation of its Financial Assurance Requirement under this Policy, prior to the close of the period for submission of that Capacity Supply Obligation Bilateral Transaction, amounts calculated as described in Section VII.A.1 above, as applicable. If a Designated FCM Participant fails to provide the required additional financial assurance for its Capacity Supply Obligation Bilateral Transactions with respect to Commercial Capacity, all of those transactions will be rejected. If the Designated FCM Participant's request to transfersupply offer of Commercial Capacity in a Capacity Supply Obligation Bilateral Transaction is not accepted, it will no longer include amounts related to that Commercial Capacity in the calculation of its Financial Assurance Requirement.

3. Financial Assurance Credits for Capacity Supply Obligations

If in none of the twelve months described in Section VII.A.1 (a) the net monthly FCM revenue results in a charge to that Designated FCM Participant, then the Designated FCM Participant's Financial Assurance Requirement will be reduced by the sum of net credits for any months prior to and including the current month in which the net FCM revenue results in a credit to that Designated FCM Participant and that have not yet been invoiced.

B. Non-Commercial Capacity

Notwithstanding any provision of this Section VII to the contrary, a Designated FCM Participant offering Non-Commercial Capacity (defined below) for a Resource that elected existing Resource treatment for the Capacity Commitment Period beginning June 1, 2010 will not be subject to the provisions of this Section VII.B with respect to that Resource (other than financial assurance obligations relating to transfers of Capacity Supply Obligations).

1. FCM Deposit

A Designated FCM Participant offering the capacity of a Resource that (i) has not been declared commercial and has not had its capacity rating verified by the ISO or (ii) has elected to be treated as, or is required to be treated as, a New Generating Capacity Resource in connection with new investment in that Resource pursuant to the Market Rules (“Non-Commercial Capacity”) into any upcoming Forward Capacity Auction to provide Non-Commercial Capacity must include in the calculation of its Financial Assurance Requirement under this Policy, beginning at 8 a.m. (Eastern Time) on the fifth (5th) Business Day after its qualification for such auction under the Market Rules, an amount equal to \$2/kW times the number of kilowatts of Non-Commercial Capacity qualified for such Forward Capacity Auction by such Designated FCM Participant (the “FCM Deposit”). If less than all of the Non-Commercial Capacity offered by a Designated FCM Participant is accepted in any Forward Capacity Auction, the amount of the FCM Deposit for that Non-Commercial Capacity will be adjusted to reflect only the portion of the offered

Non-Commercial Capacity that was accepted in that Forward Capacity Auction. The requirement to include the FCM Deposit in the calculation of a Designated FCM Participant's Financial Assurance Requirement expires upon the initial inclusion of the Non-Commercial Capacity FA Amount in that calculation under Section VII.B.2(i) below.

2. Non-Commercial Capacity in Forward Capacity Auctions

A Designated FCM Participant that had its supply offer of Non-Commercial Capacity accepted in a Forward Capacity Auction must include in the calculation of its Financial Assurance Requirement under this Policy the following amounts at the following times:

(i) beginning at 8 a.m. (Eastern Time) on the fifth (5th) Business Day following announcement of the ~~awarded~~^{winning} supply offers in that Forward Capacity Auction, an amount equal to the Cost of New Entry (on a \$/kW-month basis) for the applicable Capacity Zone and Capacity Commitment Period multiplied by the number of kW of capacity awarded to that Designated FCM Participant in that Forward Capacity Auction (such amount being referred to herein as the "Non-Commercial Capacity FA Amount");

(ii) beginning at 8 a.m. (Eastern Time) on the tenth (10th) Business Day prior to the next annual Forward Capacity Auction after the Forward Capacity Auction in which such supply offer was ~~awarded~~accepted, an additional amount required to make the total amount included in the calculation of the Financial Assurance Requirement with respect to that Non-Commercial Capacity equal to two (2) times the Non-Commercial Capacity FA Amount; and

(iii) beginning at 8 a.m. (Eastern Time) on the tenth (10th) Business Day prior to the second annual Forward Capacity Auction after the Forward Capacity Auction in which such supply offer was accepted, an additional amount required to make the total amount included in the calculation of the Financial Assurance Requirement with respect to that Non-Commercial Capacity equal to three (3) times the Non-Commercial Capacity FA Amount.

3. Non-Commercial Capacity in Reconfiguration Auctions

a. Acquiring Capacity Supply Obligations

A Designated FCM Participant offering Non-Commercial Capacity in an annual Reconfiguration Auction in the Forward Capacity Market must include in the calculation of its

4. Non-Commercial Capacity in Capacity Supply Obligation Bilateral Transactions

a. Acquiring Capacity Supply Obligations

A Designated FCM Participant entering into a Capacity Supply Obligation Bilateral Transaction to provide Non-Commercial Capacity in the Forward Capacity Market must include in the calculation of its Financial Assurance Requirement under this Policy, prior to the close of the period for the submission of that Capacity Supply Obligation Bilateral Transaction, an amount equal to (a) the Cost of New Entry (on a \$/kW-month basis) for the applicable Capacity Zone and Capacity Commitment Period multiplied by (b) the maximum number of kW of capacity being submitted for that Resource multiplied by (c) (i) two (2) if there is one Forward Capacity Auction scheduled before the Capacity Commitment Period applicable to such Capacity Supply Obligation Bilateral supply offer or (ii) three (3) if there are no Forward Capacity Auctions scheduled before the Capacity Commitment Period applicable to such Capacity Supply Obligation Bilateral supply offer. Thereafter, beginning at 8 a.m. (Eastern Time) on the tenth (10th) Business Day prior to the annual Forward Capacity Auction immediately preceding the Capacity Commitment Period applicable to such Capacity Supply Obligation Bilateral Transaction (if there is another annual Forward Capacity Auction prior to that Capacity Commitment Period), that Designated FCM Participant will include in the calculation of its Financial Assurance Requirement an additional amount equal to (a) the Cost of New Entry (on a \$/kW-month basis) for the applicable Capacity Zone and Capacity Commitment Period multiplied by (b) the maximum number of kW of capacity being submitted for that Resource. If a Designated FCM Participant fails to provide the required

additional financial assurance for its Capacity Supply Obligation Bilateral Transactions with
respect to Non-Commercial

Issued by: Raymond W. Hepper,
Vice President and General Counsel
Issued on: April 13, 2010~~October 14, 2009~~

Effective: June 1, 2010~~November 13, 2009~~

Capacity, all of those transactions will be rejected. If the Designated FCM Participant's supply offer of Non-Commercial Capacity is not accepted in such Capacity Supply Obligation Bilateral Transaction, it will no longer include amounts related to that Non-Commercial Capacity in the calculation of its Financial Assurance Requirement.

b. Transfer of Capacity Supply Obligations

A Designated FCM Participant that seeks to transfer its Capacity Supply Obligation with respect to Non-Commercial Capacity in a Capacity Supply Obligation Bilateral Transaction must include in the calculation of its Financial Assurance Requirement under this Policy, prior to the close of the period for the submission of that Capacity Supply Obligation Bilateral Transaction, amounts calculated as described in Section VII.A.1 above, as applicable. If a Designated FCM Participant fails to provide the required additional financial assurance for its Capacity Supply Obligation Bilateral Transactions with respect to Non-Commercial Capacity, all of those transactions will be rejected. If the Designated FCM Participant's request to transfer supply offer of Non-Commercial Capacity in a Capacity Supply Obligation Bilateral Transaction is not accepted, it will no longer include amounts related to that Non-Commercial Capacity in the calculation of its Financial Assurance Requirement.

5. Return of Financial Assurance

Once either (x) a Resource being awarded a supply offer as Non-Commercial Capacity in any Forward Capacity Auction or Reconfiguration Auction or entering into a Capacity Supply Obligation Bilateral Transaction for Non-Commercial Capacity is declared commercial and has had its capacity rating verified for its ~~Capacity Supply Obligation~~ by the ISO or otherwise becomes a Resource meeting the definition of “Commercial Capacity” above, or (y) a Resource is declared commercial and had a part of its capacity rating verified by the ISO and the applicable Designated FCM Participant indicates no additional portions of that Resource will become commercial, that portion of the Resource shall no longer be considered Non-Commercial Capacity under this Policy and will instead become subject to the provisions of this Policy relating to Commercial Capacity; provided that in either such case, the Designated FCM Participant will need to include in the calculation of its Financial Assurance Requirement an amount attributable to any remaining Non-Commercial Capacity ~~seasonal capacity tests that do not result in Commercial Capacity at least equal to the Capacity Supply Obligation of that Resource. The Financial Assurance Requirement for Resources holding Capacity Supply Obligations for multiple Capacity Commitment Periods shall include the amount relevant to any non-commercial portion for the remaining Capacity Commitment Periods for which that Resource has a Capacity Supply Obligation, consistent with Section VII.B.7 below.~~

6. Credit Test Amount Consequences

If a Provisional Member is required to provide additional financial assurance under this Policy solely in connection with (A) a supply offer of Non-Commercial Capacity into any Forward Capacity Auction or Reconfiguration Auction or a Capacity Supply Obligation Bilateral Transaction to provide Non-Commercial Capacity and (B) its obligation to pay Participant Expenses as a Provisional Member, and that Provisional Member is maintaining the amount of additional financial assurance required under this Policy, then the provisions of Section II.D of this Policy relating to the consequences of Non-Municipal Market Participant's Obligations equaling 80 percent or 90 percent of its Credit Test Amount shall not apply to that Provisional Member.

7. Financial Assurance for Multiple Auctions and Transactions

In the event that a Designated FCM Participant has its supply offer of Non-Commercial Capacity for a Resource accepted in multiple Forward Capacity Auctions and/or Reconfiguration Auctions and/or enters into one or more ~~valid~~ Capacity Supply Obligation Bilateral Transactions to provide Non-Commercial Capacity for that Resource prior to the date on which that Resource satisfies the

requirements for Commercial Capacity, that Designated FCM Participant's Financial Assurance Requirement with respect to that Resource will be first allocated to the Non-Commercial Capacity Supply Obligations for the earliest Capacity Commitment Period, and any reductions in that Financial Assurance Requirement associated with a Resource meeting the requirements for Commercial Capacity ~~being declared commercial and having its capacity rating verified by the ISO~~ will similarly be calculated based on the earliest Capacity Commitment Period for which that Resource has a Non-Commercial Capacity FA Amount ~~Capacity Supply Obligation~~.

C. FCM Capacity Charge Requirements

The FCM Capacity Charge Requirements shall be calculated for the current month and all previously unbilled months. The FCM Capacity Charge Requirements shall be the product of the Estimated Capacity Load Obligation times the Estimated Net Regional Clearing Price (ENRCP) for the applicable Capacity Zone. For purposes of this calculation, the Estimated Capacity Load Obligation shall be the Capacity Requirement from the latest available month, adjusted as appropriate to account for any relevant Capacity Load Obligation Bilaterals, HQICCs, and Self-Supplied FCA Resource Designations for the applicable month. For purposes of this calculation, the ENRCP for a Capacity Zone will be calculated as follows: (i) If the latest available Net Regional Clearing Price for the Capacity Zone is for a month that is within the current Capacity Commitment Period, then the ENRCP shall be the Net Regional Clearing Price for the latest available month for the applicable Capacity Zone. (ii) If the latest available Net Regional Clearing Price for the Capacity Zone is for a month that is within the immediately

~~Loss of Capacity and Forfeiture of Financial Assurance~~

~~If a Designated FCM Participant offering or awarded Non-Commercial Capacity in any Forward Capacity Auction or Reconfiguration Auction or entering into a Bilateral Transaction to provide Non-Commercial Capacity is in default under this Policy or the Billing Policy and does not cure such default within the appropriate cure period, then: (i) beginning with the first Business Day following the end of such cure period, (A) the ISO shall issue notice of such default to that Designated FCM Participant, to the NEPOOL Budget and Finance Subcommittee, to all members and alternates of the Participants Committee, and to the New England governors and utility regulatory agencies, and (B) that Designated FCM Participant will be assessed a default charge of one percent (1%) of its total FCM Requirements at that time for each Business Day that elapses until it cures such default or its Non-Commercial Capacity awards and Bilateral Transactions for Non-Commercial Capacity are terminated under clause (ii) below; and (ii) if such default is not cured by 5:00 p.m. (Eastern Time) on the sooner~~

preceding Capacity Commitment Period, then the ENRCP shall be the Net Regional Clearing Price for the latest available month for the applicable Capacity Zone, adjusted by the quotient of the Capacity Clearing Price for the applicable Capacity Commitment Period divided by the Capacity Clearing Price for the immediately preceding Capacity Commitment Period. If for the purpose of the calculation in this section (ii) the Capacity Clearing Price is not available from the immediately preceding Capacity Commitment Period, then the ENRCP to be used in the calculation of the FCM Capacity Charge Requirements shall be the Capacity Clearing Price for the applicable Capacity Commitment Period.

D. Loss of Capacity and Forfeiture of Financial Assurance

If a Designated FCM Participant offering or awarded Non-Commercial Capacity in any Forward Capacity Auction or Reconfiguration Auction or entering into a Capacity Supply Obligation ~~Bilateral Transaction~~ to provide Non-Commercial Capacity is in default under this Policy or the Billing Policy and does not cure such default within the appropriate cure period, then: (i) beginning with the first Business Day following the end of such cure period, (A) the ISO shall issue notice of such default to that Designated FCM Participant, to the NEPOOL Budget and Finance Subcommittee, to all members and alternates of the Participants Committee, and to the New England governors and utility regulatory agencies, and (B) that Designated FCM Participant will be assessed a default charge of one percent (1%) of its total FCM Requirements at that time for each Business Day that elapses until it cures such default or its Non-Commercial Capacity is awarded and Bilateral Transactions for Non-Commercial Capacity are terminated under clause (ii) below; and (ii) if such default is not cured by 5:00 p.m. (Eastern Time) on the sooner

of (x) the fifth Business Day following the end of such cure period or (y) the second Business Day prior to the start of the next scheduled Forward Capacity Auction or Reconfiguration Auction or Capacity Supply Obligation Bilateral submission (such period being referred to herein as the “Non-Commercial Capacity Cure Period”), then, in addition to the other actions described in this Section VII, (A) all Capacity Supply Obligations associated with Non-Commercial Capacity that was awarded to such Designated FCM Participant in previous Forward Capacity Auctions and Reconfiguration Auctions and that such Designated FCM Participant contracted to provide in Capacity Supply Obligation Bilateral Transactions shall be terminated, (B) the ISO will draw down the entire amount of the financial assurance provided by that Designated FCM Participant with respect to such terminated Non-Commercial Capacity awards or terminated Bilateral Transactions and will issue an Invoice to the Designated FCM Participant for any shortfall resulting from that Designated FCM Participant’s failure to maintain adequate financial assurance hereunder, and (C) the default charges described in clause (i)(B) above shall not be assessed to that Designated FCM Participant. All default charges collected under this paragraph will be deposited in the Late Payment Account in accordance with the Billing Policy.

If a Designated FCM Participant’s: ~~(i) fails to meet a qualification milestone for Non-Commercial Capacity under the Market Rules and does not cure such failure within the appropriate cure period; (ii) fails to have its Non-Commercial Capacity declared commercial and verified for its Capacity Supply Obligation by the ISO by the deadline for the applicable Capacity Commitment Period (including all~~

~~applicable cure periods) and does not replace that Non-Commercial Capacity with other qualified capacity for the same Capacity Commitment Period; or (iii) otherwise takes any action or fails to take any action which, in the case of such action or failure to act, results in the termination of its Capacity Supply Obligation associated with Non-Commercial Capacity is terminated under the Market Rules, the ISO will terminate the relevant award of Non-Commercial Capacity or Bilateral Transaction for Non-Commercial Capacity in its entirety for the remaining term of the Capacity Commitment Period and will draw down the entire amount of the financial assurance provided by such Designated FCM Participant with respect to such terminated Non-Commercial Capacity or Bilateral Transaction for Non-Commercial Capacity. If the Designated FCM Participant has not provided enough financial assurance to cover the amount due (or that would have been due but for the Designated FCM Participant's positive Credit Limit) by such Designated FCM Participant with respect to such terminated Non-Commercial Capacity, then the ISO will issue an Invoice to the Designated FCM Participant for the amount due. If the ISO determines that a Resourcee~~

[Reserved for future use.]

~~being awarded a supply offer with respect to Non-Commercial Capacity in any Forward Capacity Auction or Reconfiguration Auction or entering into a Bilateral Transaction to provide Non-Commercial Capacity is not capable of delivering the full amount of that Non-Commercial Capacity or the Designated FCM Participant for that Resource indicates that it will not declare any non-commercial portion of that Resource commercial or seek to have that non-commercial portion tested, the ISO will either (i) bill the Designated FCM Participant for that Resource for the amount due (or that would have been due but for the Designated FCM Participant's positive Credit Limit) with respect to that shortfall in capacity, including any Financial Assurance Requirement, or (ii) draw down that amount of the financial assurance provided by the Designated FCM Participant. If, in a subsequent seasonal capacity test after the initial capacity test a Resource is determined to be not capable of delivering the full amount of its seasonal capacity for a Capacity Commitment Period, the ISO will either (i) bill the Designated FCM Participant for that Resource for the amount due (or that would have been due but for the Designated FCM Participant's positive Credit Limit) with respect to that shortfall in capacity, including any Financial Assurance Requirement, or (ii) draw down that amount of the financial assurance provided by the Designated FCM Participant. Failure to pay an Invoice issued under this Section VII.C may also constitute a Payment Default. The cash received by the ISO as a result of the payment on a bill or its drawing down of any financial assurance under this Section VII.C (other than with respect to the default charges described above) will be paid to load serving entities based on their capacity obligations in the applicable Capacity Commitment Period.~~

Issued by: Raymond W. Hepper,
Vice President and General Counsel

Effective: ~~June 1, 2010~~November 13, 2009

Issued on: ~~April 13, 2010~~October 14, 2009

ED. Composite FCM Transactions

For separate resources that seek to participate as a single composite resource in a Forward Capacity Auction or Reconfiguration Auction in which multiple Designated FCM Participants~~Market Participants and/or DRP Only Customers~~ provide that capacity (collectively, a “Composite FCM Transaction”), each Designated FCM Participant~~Market Participant and DRP Only Customer~~ participating in that Composite FCM Transaction will be responsible for providing the additional financial assurance required with respect to its Resources included in that Composite FCM Transaction, determined as follows:

1. the FCM Requirements, if any, for each Designated FCM Participant~~Market Participant and DRP-Only Customer~~ shall be determined solely with respect to the capacity being provided, or sought to be provided, by that Designated FCM Participant~~Market Participant or DRP-Only Customer~~;

2. if any Resource in the Composite FCM Transaction has been permitted to retire at the end of a current Capacity Commitment Period under Section I.3.9 of the ISO Tariff or any similar provision, the FCM Requirements under Section VII.A with respect to that Resource will expire when that Resource is no longer responsible for providing capacity;

3. if the Composite FCM Transaction involves one or more Resources seeking to provide or providing Non-Commercial Capacity, the FCM Requirements under Section VII.B for each Designated FCM Participant~~Market Participant or DRP-Only Customer~~ with respect to that Composite FCM Transaction will be calculated based on the maximum amount of Non-Commercial Capacity associated with such Designated FCM Participant's~~Market Participant's or DRP-Only Customer's~~ Resource in such Composite FCM Transaction in any month during the applicable Capacity Commitment Period;

4. any additional financial assurance provided under Section VII.B by each Designated FCM Participant~~Market Participant or DRP-Only Customer~~ with respect to each Resource providing Non-Commercial Capacity in the Composite FCM Transaction will

be returned by the ISO to such ~~Designated FCM Participant~~ Market Participant or DRP-Only Customer under Section VII.B.5 when the corresponding Resource has been declared commercial and successfully ~~verified~~ tested for its capacity ratings by the ISO or has otherwise become a Resource meeting the definition of “Commercial Capacity” above and all of the other requirements of Section VII.B.5 have been satisfied; and

5. for purposes of Section VII.D.C, any termination of Non-Commercial Capacity ~~capacity awards~~ shall apply only to the ~~Designated FCM Participant~~ Market Participant and DRP-Only Customer participating in the Composite FCM Transaction that has failed to satisfy its obligations, and any Invoice issued thereunder will be issued only to that ~~Designated FCM Participant~~ Market Participant or DRP-Only Customer.

VIII. FINANCIAL ASSURANCE REQUIREMENTS FOR DRP-ONLY CUSTOMERS IN DEMAND RESOURCE TRANSACTIONS

A. DRP-Only Customer Financial Assurance

Each DRP-Only Customer registering a Demand Resource in a Day-Ahead Market shall submit to the ISO financial assurance, in one of the forms described in Section X below, in an

B. Letter of Credit

An irrevocable standby letter of credit provides an acceptable form of financial assurance to the ISO. For purposes of this Policy, the letter of credit shall be valued at \$0 30 days prior to the termination of such letter of credit. If the letter of credit amount is below the required level, the Posting Entity shall immediately replenish or increase the letter of credit amount or obtain a substitute letter of credit. The account party on a letter of credit must be either the Posting Entity whose obligations are secured by that letter of credit or an Affiliate of that Posting Entity.

The bank issuing the letter of credit must (i) have a minimum issuer rating of an “A-” by S&P, or “A3” by Moody’s, or “A-” by Fitch, and (ii) be organized under the laws of the United States or any state thereof or be the United States branch of a foreign bank. The following provisions shall apply when a bank fails to honor the terms of one or more letters of credit issued or confirmed by the bank in favor of the ISO: (i) if the bank fails to honor the terms of one letter of credit in a rolling seven hundred and thirty day period, then the ISO will issue a notice of such failure to the NEPOOL Budget and Finance Subcommittee, to all members and alternates of the Participants Committee, to the New England governors and utility regulatory agencies and to the billing and credit contracts for all Market Participants; (ii) if the bank fails to honor either the terms of one letter of credit twice or the terms of two letters of credit in a rolling seven hundred and thirty day period, then the bank will no longer be eligible to issue or confirm letters of credit in favor of the ISO and any letters of credit issued or confirmed by such bank in favor of the ISO will not be renewed. Any letter of credit provided for a new Posting Entity must have a minimum term of four (4) months.

~~Attachment 2 provides a generally acceptable sample “clean” letter of credit, and all letters of credit provided by Posting Entities shall be in this form (with only minor, non-material changes), unless a variation therefrom is approved by the ISO after consultation with the NEPOOL Budget and Finance Subcommittee and filed with the Commission. All costs incurred by the ISO in collecting on a letter of credit provided under this Policy shall be paid, or reimbursed to the ISO, by the Posting Entity providing that letter of credit.~~

Attachment 2 provides a generally acceptable sample “clean” letter of credit, and all letters of credit provided by Posting Entities shall be in this form (with only minor, non-material changes), unless a variation therefrom is approved by the ISO after consultation with the NEPOOL Budget and Finance Subcommittee and filed with the Commission. All costs incurred by the ISO in collecting on a letter of credit provided under this Policy shall be paid, or reimbursed to the ISO, by the Posting Entity providing that letter of credit.

C. Corporate Guaranty

A corporate guaranty obtained from a company affiliated with a Posting Entity (other than a FTR-Only Customer or a DRP-Only Customer) (“Guarantor”), may provide an acceptable form of financial assurance to the ISO. An FTR-Only Customer or a DRP-Only Customer may not provide a corporate guaranty as additional financial assurance under the Policy. The aggregate obligations that a Guarantor that is not a Market Participant (a “Non-Market Participant Guarantor”) may guarantee hereunder at any time shall not exceed the least of (i) any limit on that Non-Market Participant Guarantor’s obligations stated in its Corporate Guaranty, (ii) \$75 million, (iii) 20 percent (20%) of the total amount due and owing (not including any amounts required under Section 14.1 of the RNA) at such time to the ISO, NEPOOL, the Market Participants, the PTOs and the Non-Market Participant Transmission Customers by all Market Participants, PTOs and Non-Market Participant Transmission Customers; (iv) the applicable percentage of that Non-Market Participant Guarantor’s Tangible Net Worth as listed in the following table; or (v) the applicable percentage of the Financial Assurance Requirement of the Posting Entity as listed in the following table (collectively, the “Non-Market Participant Guaranty Limit”).

Attachment 2

EXHIBIT IA
ISO NEW ENGLAND FINANCIAL ASSURANCE POLICY

Table of Contents

Overview.....	49
I. LIABILITY AND TREATMENT OF GROUPS REGARDED AS SINGLE MARKET PARTICIPANTS	50
II. FINANCIAL ASSURANCE REQUIREMENTS FOR NON-MUNICIPAL APPLICANTS AND NON-MUNICIPAL MARKET PARTICIPANTS	52
A. Proof of Financial Viability for Non-Municipal Applicants.....	52A
B. Ongoing Financial Review	54
1. Provision of Financial Assurances by Non-Municipal Market Participants.....	54
a. Rated Market Participants.....	54
b. Unrated Market Participants	55A
2. Credit Limit for Non-Municipal Market Participants.....	57
a. Credit Limit for Rated Non-Municipal Market Participants.....	57
b. Credit Limit for Unrated Non-Municipal Market Participants	59
c. Credit Limit for FTR-Only Customers and DRP-Only Customers	60
3. Information Reporting Requirements for Market Participants	60
C. Financial Assurance Requirement for Non-Municipal Market Participants.....	62
D. Credit Test Calculations, Notice and Suspension from the New England Markets	65
1. Credit Test Calculations and Notices.....	65
a. 80 Percent Test.....	65
b. 90 Percent Test.....	66
c. 100 Percent Test.....	66
2. Suspension from the New England Markets.....	68
a. General.....	68
b. Load Assets.....	70A
c. FTRs.....	71
d. Virtual Transactions.....	71A
3. Serial Notice and Suspension Penalties	71A

III.	FINANCIAL ASSURANCE PROVISIONS FOR MUNICIPAL APPLICANTS AND MUNICIPAL MARKET PARTICIPANTS.....	72
A.	Proof of Financial Viability	73
1.	Municipal Applicants.....	73
2.	Municipal Market Participants.....	73A
B.	Financial Statements of Municipal Applicants.....	74
C.	Ongoing Financial Review for Municipal Market Participants.....	75
D.	Other Financial Assurances for Municipal Market Participants.....	75
E.	Additional Financial Assurance Requirements for Certain Municipal Market Participants	79
IV.	FINANCIAL ASSURANCE REQUIREMENTS FOR CERTAIN NEW AND RETURNING MARKET PARTICIPANTS.....	79A
V.	FINANCIAL ASSURANCE REQUIREMENTS FOR NON-MARKET PARTICIPANT TRANSMISSION CUSTOMERS	79F
A.	Proof of Financial Viability	79F
B.	Ongoing Financial Review	79H
1.	Rated Non-Market Participant Transmission Customer Applicants and Transmission Customers.....	79H
2.	Unrated Non-Market Participant Transmission Customers.....	79H
C.	Information Reporting Requirements for Non-Market Participant Transmission Customers.....	79I
D.	Financial Assurance Requirement for Non-Market Participant Transmission Customers.....	79J
VI.	ADDITIONAL FINANCIAL ASSURANCE PROVISIONS FOR FTR TRANSACTIONS	79L
A.	FTR Settlement Risk Financial Assurance	79L
B.	Bid Financial Assurance	80

C.	Award Financial Assurance	80
D.	Settlement Financial Assurance	80A
E.	Consequences of Failure to Satisfy FTR Requirements	80A
VII.	ADDITIONAL FINANCIAL ASSURANCE PROVISIONS FOR FORWARD CAPACITY MARKETS	81
A.	Commercial Capacity.....	81A
1.	Transfer of Capacity Supply Obligation in Reconfiguration Auction.....	81A
2.	Transfer of Capacity Supply Obligation in Capacity Supply Obligation Bilateral.....	81A.02
3.	Financial Assurance Credits for Capacity Supply Obligations.....	81A.02
B.	Non-Commercial Capacity	81B
1.	FCM Deposit.....	81B
2.	Non-Commercial Capacity in Forward Capacity Auctions	81B.01
3.	Non-Commercial Capacity in Reconfiguration Auctions.....	81C
a.	Acquiring Capacity Supply Obligations	81C
b.	Transfer of Capacity Supply Obligations	81D.01
4.	Non-Commercial Capacity in Capacity Supply Obligation Bilaterals	81D.02
a.	Acquiring Capacity Supply Obligations	81D.02
b.	Transfer of Capacity Supply Obligations	81E
5.	Return of Financial Assurance.....	81E.01
6.	Credit Test Amount Consequences.....	81F
7.	Financial Assurance for Multiple Auctions and Transactions.....	81F
C.	FCM Capacity Charge Requirements	81F.01
D.	Loss of Capacity and Forfeiture of Financial Assurance.....	81F.01a
E.	Composite FCM Transactions	81H
VIII.	FINANCIAL ASSURANCE REQUIREMENTS FOR DRP-ONLY CUSTOMERS IN DEMAND RESOURCE TRANSACTIONS	81L
A.	DRP-Only Customer Financial Assurance	81L

IX.	THIRD-PARTY CREDIT PROTECTION.....	82
X.	ACCEPTABLE FORMS OF FINANCIAL ASSURANCE.....	83
	A. Cash Deposit	83
	B. Letter of Credit.....	85
	C. Corporate Guaranty.....	86
	1. Requirements for Non-Foreign Guarantors	89
	2. Requirements for Foreign Guarantors	91
	D. Special Provisions for Provisional Members	93C.01
XI.	MISCELLANEOUS PROVISIONS.....	94
	A. Obligation to Report Material Changes	94
	B. Weekly Payments.....	95
	C. Use of Transaction Setoffs.....	97
	D. Reimbursement of Costs.....	97
	E. Notification of Default.....	98
	F. Remedies Not Exclusive.....	99
	G. Inquiries and Contests.....	99
	H. Forward Contract/Swap Agreement	99A
	ATTACHMENT 1 - SECURITY AGREEMENT	100
	ATTACHMENT 2 - SAMPLE LETTER OF CREDIT	111
	ATTACHMENT 3 - CORPORATE GUARANTY	117

A Non-Municipal Market Participant that knows that it is not satisfying its Non-Municipal Financial Assurance Requirement shall notify the ISO immediately of that fact.

For purposes of this Policy:

- (i) a Non-Municipal Market Participant's "Hourly Requirements" at any time will be the sum of (x) the Hourly Charges⁸ for such Non-Municipal Market Participant that have been invoiced but not paid (which amount shall not be less than \$0), plus (y) the Hourly Charges for such Non-Municipal Market Participant that have been settled but not invoiced, plus (z) such Non-Municipal Market Participant's most recent six (6) days of settled Hourly Charges (whether these Hourly Charges have been invoiced or not) (which amount shall not in any event be less than \$0);
- (ii) a Non-Municipal Market Participant's "Non-Hourly Requirements" at any time will be determined by averaging that Non-Municipal Market Participant's Non-Hourly Charges (not including (A) the amount due from or to such Non-Municipal Market Participant for FTR transactions, (B) any amounts due from such Non-Municipal Market Participant for capacity transactions, (C) any amounts due under

⁸ As used in this Policy, the terms "non-Hourly Charges" and "Hourly Charges" shall have the same meaning as ascribed to them in the Billing Policy, and shall include both charges due from the Non-Municipal Market Participant and payments due to that Non-Municipal Market Participant.

Section 14.1 of the RNA, and (D) the amount of any Qualification Process Cost Reimbursement Deposit (including the annual true-up of that amount) due from such Non-Municipal Market Participant) over the two most recently invoiced calendar months; provided that such Non-Hourly Requirements shall in no event be less than zero;

(iii) a Non-Municipal Market Participant's Virtual Requirements at any time will equal the amount of all unsettled Increment Offers and Decrement Bids submitted by such Non-Municipal Market Participant at such time (which amount of unsettled Increment Offers and Decrements will be calculated by the ISO according to a methodology approved from time to time by the NEPOOL Budget and Finance Subcommittee and posted on the ISO's website);

-
- (iv) a Non-Municipal Market Participant’s “Obligations” at any time will be equal to the sum at such time of:
- a. such Non-Municipal Market Participant’s Hourly Requirements; plus
 - b. such Non-Municipal Market Participant’s Virtual Requirements; plus
 - c. such Non-Municipal Market Participant’s Non-Hourly Requirements times 2.50 (subject to Section X.D with respect to Provisional Members); plus
 - d. such Non-Municipal Market Participant’s “FTR Requirements” under Section VI below; plus
 - e. such Non-Municipal Market Participant’s “FCM Requirements” under Section VII below; plus
 - f. if such Non-Municipal Market Participant is a DRP-Only Customer, such Non-Municipal Market Participant’s Demand Resource Requirement under Section VIII.A below; plus
 - g. the amount of any Disputed Amounts (as defined in the Billing Policy) received by such Non-Municipal Market Participant.

shall occur with respect to such downgrade if such Non-Municipal Market Participant cures such default within such ten Business Day period.

Notwithstanding the foregoing, a Non-Municipal Market Participant shall neither (x) receive a notice that its Obligations exceed 100 percent (100%) of its Credit Test Amount nor (y) be suspended under this Section II.D.1.c if (i) the amount by which that Non-Municipal Market Participant's Obligations exceed its Credit Test Amount is less than \$1,000 or (ii) that Non-Municipal Market Participant's status with the ISO has been terminated.

2. Suspension from the New England Markets

a. General

The suspension of a Non-Municipal Market Participant, and any resulting annulment, termination or removal of OASIS reservations, removal from the settlement system and the FTR system, suspension of the ability to offer Non-Commercial Capacity in the Forward Capacity Market, drawing down of financial assurance and rejection of Increment Offers and Decrement Bids, shall not limit, in any way, the ISO's right to invoice or collect payment for any amounts owed (whether such amounts are due or becoming due) by such suspended Non-Municipal Market Participant under the Tariff or the ISO's right to administratively submit a bid or offer of a Market Participant's Non-Commercial Capacity in any Forward Capacity Auction or any Reconfiguration Auction or to make other adjustments under the Market Rules.

In addition to the notices provided herein, the ISO will provide any additional information required under the ISO New England Information Policy.

control notwithstanding any other provision of the Tariff to the contrary. A suspended Non-Municipal Market Participant shall have no ability so long as it is suspended (i) to be reflected in the ISO's settlement system, including any bilateral transactions, as either a purchaser or a seller of any products or services sold through the New England Markets (other than (A) Commercial Capacity and (B) Non-Commercial Capacity during the Non-Commercial Capacity Cure Period, as defined in Section VII below) that cause such Suspended Non-Municipal Market Participant to incur a financial obligation in the ISO's settlement system or any liability to the ISO, NEPOOL, or the Market Participants, (ii) to submit Demand Bids, Decrement Bids or Increment Offers in the New England Markets, or (iii) to submit offers for Non-Commercial Capacity in any Forward Capacity Auction or Reconfiguration Auction or acquire Non-Commercial Capacity through a Capacity Supply Obligation Bilateral. Any transactions, including bilateral transactions with a suspended Non-Municipal Market Participant (other than transactions for (A) Commercial Capacity and (B) Non-Commercial Capacity during the Non-Commercial Capacity Cure Period) that cause such suspended Non-Municipal Market Participant to incur a financial obligation in the ISO's settlement system or any liability to the ISO, NEPOOL, or the Market Participants and any Demand Bids, Decrement Bids and Increment Offers submitted by a suspended Non-Municipal Market Participant shall be deemed to be terminated for purposes of the Day-Ahead Market Clearing and the ISO's settlement system. However, if a Non-Municipal Market Participant has provided the financial assurance required for a Capacity Supply Obligation Bilateral, then that Capacity Supply Obligation Bilateral will not be deemed to be terminated when that Non-Municipal Market Participant is suspended.

b. Load Assets

Any load asset registered to a suspended Non-Municipal Market Participant shall be terminated, and the obligation to serve the load associated with such load asset shall be assigned to the relevant unmetered load asset(s) unless and until the host Non-Municipal Market Participant for such load assigns the obligation to serve such load to another asset. If the suspended Non-Municipal Market Participant is responsible for serving an unmetered load asset, such suspended Non-Municipal Market Participant shall retain

no longer required pursuant to the terms hereof, shall remain in effect until the later of (a) 120 days after termination of the Municipal Market Participant's membership or (b) the end date of all FTRs awarded to the Municipal Market Participant and the final satisfaction of all obligations of the Municipal Market Participant providing that financial assurance; provided, however that financial assurances required by this Policy related to potential billing adjustments chargeable to a terminated Municipal Market Participant shall remain in effect until such billing adjustment request is finally resolved in accordance with the provisions of the Billing Policy. In addition, the ISO shall not return or permit the termination of any financial assurance provided under this Policy by a Municipal Market Participant that has terminated its membership or been terminated to the extent that the ISO determines in its reasonable discretion that that financial assurance will be required under this Policy with respect to an unsettled liability or obligation owing from that Municipal Market Participant.

A Municipal Market Participant that is not a Qualifying Municipal Market Participant must provide additional financial assurance in the amount equal to the sum of:

- (i) 3½ times the sum of (x) the aggregate Hourly Charges reflected on such Municipal Market Participant's four (4) most recent weekly Invoices issued under the Billing Policy plus (y) the average monthly Non-Hourly Charges for such Municipal Market Participant (not including (A) the amount due from or to such Municipal Market Participant for FTR transactions, (B) any amounts due from or to such Municipal Market Participant for capacity transactions, (C) any amounts due under Section 14.1 of the

RNA), and (D) the amount of any Qualification Process Cost Reimbursement Deposit (including the annual true-up of that amount) due from such Municipal Market Participant) over the two most recently invoiced calendar months (which amount shall not in any event be less than \$0); plus

(ii) such Municipal Market Participant's "FTR Requirements" under Section VI below; plus

(iii) such Municipal Market Participant's "FCM Requirements" under Section VII below; plus

(iv) the amount of any unresolved Disputed Amounts received by such Municipal Market Participant (the "Municipal Financial Assurance Requirement").

To the extent that the calculations of the components of a Municipal Market Participant's Municipal Financial Assurance Requirement as described above produce positive and negative values, such components may offset each other; provided, however, that a Municipal Market Participant's Municipal Financial Assurance Requirement at any time shall never be less than \$0.

Requirements for the duration of the FTRs awarded to it. The amount of any additional financial assurance provided by a Designated FTR Participant in connection with an unsuccessful bid in an FTR Auction which, as a result of such bid being unsuccessful, is in excess of its FTR Requirements will be held by the ISO and will be applied against future FTR bids by and awards to that Designated FTR Participant unless that Designated FTR Participant requests in writing to have such excess financial assurance returned to it. Prior to returning any financial assurance to a Designated FTR Participant, the ISO shall use such financial assurance to satisfy any overdue obligations of that Designated FTR Participant. The ISO shall only return to that Designated FTR Participant the balance of such financial assurance after all such overdue obligations have been satisfied.

VII. ADDITIONAL FINANCIAL ASSURANCE PROVISIONS FOR FORWARD CAPACITY MARKETS

Any Lead Market Participant, including any Provisional Member or DRP-Only Customer that is a Lead Market Participant, transacting in any Forward Capacity Auctions, Reconfiguration Auctions or Capacity Supply Obligation Bilaterals for capacity that is otherwise required to provide additional financial assurance under this Policy (each a “Designated FCM Participant”), is required to provide additional financial assurance meeting the requirements of Section X below in the amounts described in this Section VII (such amounts being referred to in this Policy as the “FCM Requirements”). If the Lead Market Participant for a Resource changes, then the new Lead Market Participant for the Resource shall become the Designated FCM Participant.

A. Commercial Capacity

A Designated FCM Participant offering the capacity of a Resource that (i) has been declared commercial and had its capacity rating verified by the ISO and (ii) has not elected to be treated as, and is not required to be treated as, a New Generating Capacity Resource in connection with new investment in that Resource pursuant to the Market Rules (“Commercial Capacity”) into an upcoming Forward Capacity Auction or providing Commercial Capacity during any Capacity Commitment Period must generally comply with the requirements of this Policy with respect to such transactions; provided, however, that for any Resource representing Commercial Capacity that has been permitted to retire at the end of a current Capacity Commitment Period under Section I.3.9 of the ISO Tariff or any similar provision and whose obligation to provide all of such Commercial Capacity during that Capacity Commitment Period has not been transferred to another Resource, the Designated FCM Participant for such Resource shall include in the calculation of its Financial Assurance Requirement under the Policy, beginning at least five (5) Business Days prior to the applicable Capacity Commitment Period, an amount equal to two and one-half (2.5) times the monthly FCM Payment due to such Designated FCM Participant with respect to such Commercial Capacity during the applicable Capacity Commitment Period.

1. Transfer of Capacity Supply Obligation in Reconfiguration Auction

A Designated FCM Participant that seeks to transfer its Capacity Supply Obligation with respect to Commercial Capacity in a Reconfiguration Auction must include in the calculation of its Financial Assurance Requirement under this Policy, prior to the close of bidding in that Reconfiguration Auction, the amounts described in subsections (a) and (b) below.

-
- (a) For the period including the earliest month that has not yet been billed and each of the eleven months immediately thereafter, the sum of that Designated FCM Participant's net monthly charges for each month in which the net FCM revenue results in a charge. For purposes of this subsection (a), months in this period in which that Designated FCM Participant's net FCM revenue results in a credit are disregarded (i.e., the net credits from such months are not used to reduce the amount described in this subsection (a)). The amount described in this subsection (a), if any, will increase the Designated FCM Participant's Financial Assurance Requirement.
- (b) For the period including each month that is after the period described in subsection (a) above and that is included in a Capacity Commitment Period for which a Forward Capacity Auction has been conducted, the sum of that Designated FCM Participant's net monthly charges for each month in which the net FCM revenue results in a charge. For this period, the sum of such charges may be offset by net credits from months in which the net FCM revenue results in a credit, but in no case will the amount described in this subsection (b) be less than zero. The amount described in this subsection (b), if any, will increase the Designated FCM Participant's Financial Assurance Requirement.

For purposes of these calculations, the net FCM revenue for a month shall be determined by accounting for all charges and credits related to Capacity Supply Obligations in the Forward Capacity Market for the month, including those resulting from the Forward Capacity Auction, any applicable Reconfiguration Auctions, and any applicable Capacity Supply Obligation Bilaterals. However, such charges and credits shall not include uncleared offers to supply capacity in any applicable Reconfiguration Auctions or any applicable Capacity Supply Obligation Bilaterals. Upon the completion of each Reconfiguration Auction,

the amount to be included in the calculation of any Financial Assurance Requirement of that Designated FCM Participant shall be adjusted to reflect the cleared MW at the zonal clearing price for all activity in that Reconfiguration Auction.

2. Transfer of Capacity Supply Obligation in Capacity Supply Obligation Bilateral

A Designated FCM Participant that seeks to transfer its Capacity Supply Obligation with respect to Commercial Capacity in a Capacity Supply Obligation Bilateral must include in the calculation of its Financial Assurance Requirement under this Policy, prior to the close of the period for submission of that Capacity Supply Obligation Bilateral, amounts calculated as described in Section VII.A.1 above, as applicable. If a Designated FCM Participant fails to provide the required additional financial assurance for its Capacity Supply Obligation Bilaterals with respect to Commercial Capacity, all of those transactions will be rejected. If the Designated FCM Participant's request to transfer Commercial Capacity in a Capacity Supply Obligation Bilateral is not accepted, it will no longer include amounts related to that Commercial Capacity in the calculation of its Financial Assurance Requirement.

3. Financial Assurance Credits for Capacity Supply Obligations

If in none of the twelve months described in Section VII.A.1 (a) the net monthly FCM revenue results in a charge to that Designated FCM Participant, then the Designated FCM Participant's Financial Assurance Requirement will be reduced by the sum of net credits for any months prior to and including the current month in which the net FCM revenue results in a credit to that Designated FCM Participant and that have not yet been invoiced.

B. Non-Commercial Capacity

Notwithstanding any provision of this Section VII to the contrary, a Designated FCM Participant offering Non-Commercial Capacity (defined below) for a Resource that elected existing Resource treatment for the Capacity Commitment Period beginning June 1, 2010 will not be subject to the provisions of this Section VII.B with respect to that Resource (other than financial assurance obligations relating to transfers of Capacity Supply Obligations).

1. FCM Deposit

A Designated FCM Participant offering the capacity of a Resource that (i) has not been declared commercial and has not had its capacity rating verified by the ISO or (ii) has elected to be treated as, or is required to be treated as, a New Generating Capacity Resource in connection with new investment in that Resource pursuant to the Market Rules (“Non-Commercial Capacity”) into any upcoming Forward Capacity Auction to provide Non-Commercial Capacity must include in the calculation of its Financial Assurance Requirement under this Policy, beginning at 8 a.m. (Eastern Time) on the fifth (5th) Business Day after its qualification for such auction under the Market Rules, an amount equal to \$2/kW times the number of kilowatts of Non-Commercial Capacity qualified for such Forward Capacity Auction by such Designated FCM Participant (the “FCM Deposit”). If less than all of the Non-Commercial Capacity offered by a Designated FCM Participant is accepted in any Forward Capacity Auction, the amount of the FCM Deposit for that Non-Commercial Capacity will be adjusted to reflect only the portion of the offered

Non-Commercial Capacity that was accepted in that Forward Capacity Auction. The requirement to include the FCM Deposit in the calculation of a Designated FCM Participant's Financial Assurance Requirement expires upon the initial inclusion of the Non-Commercial Capacity FA Amount in that calculation under Section VII.B.2(i) below.

2. Non-Commercial Capacity in Forward Capacity Auctions

A Designated FCM Participant that had its supply offer of Non-Commercial Capacity accepted in a Forward Capacity Auction must include in the calculation of its Financial Assurance Requirement under this Policy the following amounts at the following times:

(i) beginning at 8 a.m. (Eastern Time) on the fifth (5th) Business Day following announcement of the awarded supply offers in that Forward Capacity Auction, an amount equal to the Cost of New Entry (on a \$/kW-month basis) for the applicable Capacity Zone and Capacity Commitment Period multiplied by the number of kW of capacity awarded to that Designated FCM Participant in that Forward Capacity Auction (such amount being referred to herein as the "Non-Commercial Capacity FA Amount");

(ii) beginning at 8 a.m. (Eastern Time) on the tenth (10th) Business Day prior to the next annual Forward Capacity Auction after the Forward Capacity Auction in which such supply offer was awarded, an additional amount required to make the total amount included in the calculation of the Financial Assurance Requirement with respect to that Non-Commercial Capacity equal to two (2) times the Non-Commercial Capacity FA Amount; and

(iii) beginning at 8 a.m. (Eastern Time) on the tenth (10th) Business Day prior to the second annual Forward Capacity Auction after the Forward Capacity Auction in which such supply offer was accepted, an additional amount required to make the total amount included in the calculation of the Financial Assurance Requirement with respect to that Non-Commercial Capacity equal to three (3) times the Non-Commercial Capacity FA Amount.

3. Non-Commercial Capacity in Reconfiguration Auctions

a. Acquiring Capacity Supply Obligations

A Designated FCM Participant offering Non-Commercial Capacity in an annual Reconfiguration Auction in the Forward Capacity Market must include in the calculation of its

4. Non-Commercial Capacity in Capacity Supply Obligation Bilaterals

a. Acquiring Capacity Supply Obligations

A Designated FCM Participant entering into a Capacity Supply Obligation Bilateral to provide Non-Commercial Capacity in the Forward Capacity Market must include in the calculation of its Financial Assurance Requirement under this Policy, prior to the close of the period for the submission of that Capacity Supply Obligation Bilateral, an amount equal to (a) the Cost of New Entry (on a \$/kW-month basis) for the applicable Capacity Zone and Capacity Commitment Period multiplied by (b) the maximum number of kW of capacity being submitted for that Resource multiplied by (c) (i) two (2) if there is one Forward Capacity Auction scheduled before the Capacity Commitment Period applicable to such Capacity Supply Obligation Bilateral or (ii) three (3) if there are no Forward Capacity Auctions scheduled before the Capacity Commitment Period applicable to such Capacity Supply Obligation Bilateral. Thereafter, beginning at 8 a.m. (Eastern Time) on the tenth (10th) Business Day prior to the annual Forward Capacity Auction immediately preceding the Capacity Commitment Period applicable to such Capacity Supply Obligation Bilateral (if there is another annual Forward Capacity Auction prior to that Capacity Commitment Period), that Designated FCM Participant will include in the calculation of its Financial Assurance Requirement an additional amount equal to (a) the Cost of New Entry (on a \$/kW-month basis) for the applicable Capacity Zone and Capacity Commitment Period multiplied by (b) the maximum number of kW of capacity being submitted for that Resource. If a Designated FCM Participant fails to provide the required additional financial assurance for its Capacity Supply Obligation Bilateral with respect to Non-Commercial

Capacity, all of those transactions will be rejected. If the Designated FCM Participant's supply offer of Non-Commercial Capacity is not accepted in such Capacity Supply Obligation Bilateral, it will no longer include amounts related to that Non-Commercial Capacity in the calculation of its Financial Assurance Requirement.

b. Transfer of Capacity Supply Obligations

A Designated FCM Participant that seeks to transfer its Capacity Supply Obligation with respect to Non-Commercial Capacity in a Capacity Supply Obligation Bilateral must include in the calculation of its Financial Assurance Requirement under this Policy, prior to the close of the period for the submission of that Capacity Supply Obligation Bilateral, amounts calculated as described in Section VII.A.1 above, as applicable. If a Designated FCM Participant fails to provide the required additional financial assurance for its Capacity Supply Obligation Bilaterals with respect to Non-Commercial Capacity, all of those transactions will be rejected. If the Designated FCM Participant's request to transfer Non-Commercial Capacity in a Capacity Supply Obligation Bilateral is not accepted, it will no longer include amounts related to that Non-Commercial Capacity in the calculation of its Financial Assurance Requirement.

5. Return of Financial Assurance

Once either (x) a Resource being awarded a supply offer as Non-Commercial Capacity in any Forward Capacity Auction or Reconfiguration Auction or entering into a Capacity Supply Obligation Bilateral for Non-Commercial Capacity is declared commercial and has had its capacity rating verified by the ISO or otherwise becomes a Resource meeting the definition of “Commercial Capacity” above, or (y) a Resource is declared commercial and had a part of its capacity rating verified by the ISO and the applicable Designated FCM Participant indicates no additional portions of that Resource will become commercial, that portion of the Resource shall no longer be considered Non-Commercial Capacity under this Policy and will instead become subject to the provisions of this Policy relating to Commercial Capacity; provided that in either such case, the Designated FCM Participant will need to include in the calculation of its Financial Assurance Requirement an amount attributable to any remaining Non-Commercial Capacity.

6. Credit Test Amount Consequences

If a Provisional Member is required to provide additional financial assurance under this Policy solely in connection with (A) a supply offer of Non-Commercial Capacity into any Forward Capacity Auction or Reconfiguration Auction or a Capacity Supply Obligation Bilateral to provide Non-Commercial Capacity and (B) its obligation to pay Participant Expenses as a Provisional Member, and that Provisional Member is maintaining the amount of additional financial assurance required under this Policy, then the provisions of Section II.D of this Policy relating to the consequences of Non-Municipal Market Participant's Obligations equaling 80 percent or 90 percent of its Credit Test Amount shall not apply to that Provisional Member.

7. Financial Assurance for Multiple Auctions and Transactions

In the event that a Designated FCM Participant has its supply offer of Non-Commercial Capacity for a Resource accepted in multiple Forward Capacity Auctions and/or Reconfiguration Auctions and/or enters into one or more Capacity Supply Obligation Bilaterals to provide Non-Commercial Capacity for that Resource prior to the date on which that Resource satisfies the

requirements for Commercial Capacity, that Designated FCM Participant's Financial Assurance Requirement with respect to that Resource will be first allocated to the Non-Commercial Capacity for the earliest Capacity Commitment Period, and any reductions in that Financial Assurance Requirement associated with a Resource meeting the requirements for Commercial Capacity will similarly be calculated based on the earliest Capacity Commitment Period for which that Resource has a Non-Commercial Capacity FA Amount.

C. FCM Capacity Charge Requirements

The FCM Capacity Charge Requirements shall be calculated for the current month and all previously unbilled months. The FCM Capacity Charge Requirements shall be the product of the Estimated Capacity Load Obligation times the Estimated Net Regional Clearing Price (ENRCP) for the applicable Capacity Zone. For purposes of this calculation, the Estimated Capacity Load Obligation shall be the Capacity Requirement from the latest available month, adjusted as appropriate to account for any relevant Capacity Load Obligation Bilaterals, HQICCs, and Self-Supplied FCA Resource Designations for the applicable month. For purposes of this calculation, the ENRCP for a Capacity Zone will be calculated as follows: (i) If the latest available Net Regional Clearing Price for the Capacity Zone is for a month that is within the current Capacity Commitment Period, then the ENRCP shall be the Net Regional Clearing Price for the latest available month for the applicable Capacity Zone. (ii) If the latest available Net Regional Clearing Price for the Capacity Zone is for a month that is within the immediately

preceding Capacity Commitment Period, then the ENRCP shall be the Net Regional Clearing Price for the latest available month for the applicable Capacity Zone, adjusted by the quotient of the Capacity Clearing Price for the applicable Capacity Commitment Period divided by the Capacity Clearing Price for the immediately preceding Capacity Commitment Period. If for the purpose of the calculation in this section (ii) the Capacity Clearing Price is not available from the immediately preceding Capacity Commitment Period, then the ENRCP to be used in the calculation of the FCM Capacity Charge Requirements shall be the Capacity Clearing Price for the applicable Capacity Commitment Period.

D. Loss of Capacity and Forfeiture of Financial Assurance

If a Designated FCM Participant offering or awarded Non-Commercial Capacity in any Forward Capacity Auction or Reconfiguration Auction or entering into a Capacity Supply Obligation Bilateral to provide Non-Commercial Capacity is in default under this Policy or the Billing Policy and does not cure such default within the appropriate cure period, then: (i) beginning with the first Business Day following the end of such cure period, (A) the ISO shall issue notice of such default to that Designated FCM Participant, to the NEPOOL Budget and Finance Subcommittee, to all members and alternates of the Participants Committee, and to the New England governors and utility regulatory agencies, and (B) that Designated FCM Participant will be assessed a default charge of one percent (1%) of its total FCM Requirements at that time for each Business Day that elapses until it cures such default or its Non-Commercial Capacity is terminated under clause (ii) below; and (ii) if such default is not cured by 5:00 p.m. (Eastern Time) on the sooner

of (x) the fifth Business Day following the end of such cure period or (y) the second Business Day prior to the start of the next scheduled Forward Capacity Auction or Reconfiguration Auction or Capacity Supply Obligation Bilateral submission (such period being referred to herein as the “Non-Commercial Capacity Cure Period”), then, in addition to the other actions described in this Section VII, (A) all Capacity Supply Obligations associated with Non-Commercial Capacity that was awarded to such Designated FCM Participant in previous Forward Capacity Auctions and Reconfiguration Auctions and that such Designated FCM Participant contracted to provide in Capacity Supply Obligation Bilaterals shall be terminated, (B) the ISO will draw down the entire amount of the financial assurance provided by that Designated FCM Participant with respect to such terminated Non-Commercial Capacity and will issue an Invoice to the Designated FCM Participant for any shortfall resulting from that Designated FCM Participant’s failure to maintain adequate financial assurance hereunder, and (C) the default charges described in clause (i)(B) above shall not be assessed to that Designated FCM Participant. All default charges collected under this paragraph will be deposited in the Late Payment Account in accordance with the Billing Policy.

If a Designated FCM Participant’s

Capacity Supply Obligation associated with Non-Commercial Capacity is terminated under the Market Rules, the ISO will draw down the entire amount of the financial assurance provided by such Designated FCM Participant with respect to such terminated Non-Commercial Capacity. If the Designated FCM Participant has not provided enough financial assurance to cover the amount due (or that would have been due but for the Designated FCM Participant's positive Credit Limit) by such Designated FCM Participant with respect to such terminated Non-Commercial Capacity, then the ISO will issue an Invoice to the Designated FCM Participant for the amount due.

[Reserved for future use.]

E. Composite FCM Transactions

For separate resources that seek to participate as a single composite resource in a Forward Capacity Auction in which multiple Designated FCM Participants provide that capacity (collectively, a “Composite FCM Transaction”), each Designated FCM Participant participating in that Composite FCM Transaction will be responsible for providing the additional financial assurance required with respect to its Resources included in that Composite FCM Transaction, determined as follows:

1. the FCM Requirements, if any, for each Designated FCM

Participant shall be determined solely with respect to the capacity being provided, or sought to be provided, by that Designated FCM Participant;

2. if any Resource in the Composite FCM Transaction has been

permitted to retire at the end of a current Capacity Commitment Period under Section I.3.9 of the ISO Tariff or any similar provision, the FCM Requirements under Section VII.A with respect to that Resource will expire when that Resource is no longer responsible for providing capacity;

3. if the Composite FCM Transaction involves one or more

Resources seeking to provide or providing Non-Commercial Capacity, the FCM Requirements under Section VII.B for each Designated FCM Participant with respect to that Composite FCM Transaction will be calculated based on the maximum amount of Non-Commercial Capacity associated with such Designated FCM Participant's Resource in such Composite FCM Transaction in any month during the applicable Capacity Commitment Period;

4. any additional financial assurance provided under Section VII.B by

each Designated FCM Participant with respect to each Resource providing Non-Commercial Capacity in the Composite FCM Transaction will

be returned by the ISO to such Designated FCM Participant under Section VII.B.5 when the corresponding Resource has been declared commercial and successfully verified for its capacity ratings by the ISO or has otherwise become a Resource meeting the definition of Commercial Capacity above and all of the other requirements of Section VII.B.5 have been satisfied; and

5. for purposes of Section VII.D, any termination of Non-Commercial Capacity shall apply only to the Designated FCM Participant participating in the Composite FCM Transaction that has failed to satisfy its obligations, and any Invoice issued thereunder will be issued only to that Designated FCM Participant.

VIII. FINANCIAL ASSURANCE REQUIREMENTS FOR DRP-ONLY CUSTOMERS IN DEMAND RESOURCE TRANSACTIONS

A. DRP-Only Customer Financial Assurance

Each DRP-Only Customer registering a Demand Resource in a Day-Ahead Market shall submit to the ISO financial assurance, in one of the forms described in Section X below, in an

B. Letter of Credit

An irrevocable standby letter of credit provides an acceptable form of financial assurance to the ISO. For purposes of this Policy, the letter of credit shall be valued at \$0 30 days prior to the termination of such letter of credit. If the letter of credit amount is below the required level, the Posting Entity shall immediately replenish or increase the letter of credit amount or obtain a substitute letter of credit. The account party on a letter of credit must be either the Posting Entity whose obligations are secured by that letter of credit or an Affiliate of that Posting Entity.

The bank issuing the letter of credit must (i) have a minimum issuer rating of an “A-” by S&P, or “A3” by Moody’s, or “A-” by Fitch, and (ii) be organized under the laws of the United States or any state thereof or be the United States branch of a foreign bank. The following provisions shall apply when a bank fails to honor the terms of one or more letters of credit issued or confirmed by the bank in favor of the ISO: (i) if the bank fails to honor the terms of one letter of credit in a rolling seven hundred and thirty day period, then the ISO will issue a notice of such failure to the NEPOOL Budget and Finance Subcommittee, to all members and alternates of the Participants Committee, to the New England governors and utility regulatory agencies and to the billing and credit contracts for all Market Participants; (ii) if the bank fails to honor either the terms of one letter of credit twice or the terms of two letters of credit in a rolling seven hundred and thirty day period, then the bank will no longer be eligible to issue or confirm letters of credit in favor of the ISO and any letters of credit issued or confirmed by such bank in favor of the ISO will not be renewed. Any letter of credit provided for a new Posting Entity must have a minimum term of four (4) months.

Attachment 2 provides a generally acceptable sample “clean” letter of credit, and all letters of credit provided by Posting Entities shall be in this form (with only minor, non-material changes), unless a variation therefrom is approved by the ISO after consultation with the NEPOOL Budget and Finance Subcommittee and filed with the Commission. All costs incurred by the ISO in collecting on a letter of credit provided under this Policy shall be paid, or reimbursed to the ISO, by the Posting Entity providing that letter of credit.

C. Corporate Guaranty

A corporate guaranty obtained from a company affiliated with a Posting Entity (other than a FTR-Only Customer or a DRP-Only Customer) (“Guarantor”), may provide an acceptable form of financial assurance to the ISO. An FTR-Only Customer or a DRP-Only Customer may not provide a corporate guaranty as additional financial assurance under the Policy. The aggregate obligations that a Guarantor that is not a Market Participant (a “Non-Market Participant Guarantor”) may guarantee hereunder at any time shall not exceed the least of (i) any limit on that Non-Market Participant Guarantor’s obligations stated in its Corporate Guaranty, (ii) \$75 million, (iii) 20 percent (20%) of the total amount due and owing (not including any amounts required under Section 14.1 of the RNA) at such time to the ISO, NEPOOL, the Market Participants, the PTOs and the Non-Market Participant Transmission Customers by all Market Participants, PTOs and Non-Market Participant Transmission Customers; (iv) the applicable percentage of that Non-Market Participant Guarantor’s Tangible Net Worth as listed in the following table; or (v) the applicable percentage of the Financial Assurance Requirement of the Posting Entity as listed in the following table (collectively, the “Non-Market Participant Guaranty Limit”).

Attachment 3

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

ISO New England Inc. and) **Docket No. ER10-___-000**
New England Power Pool)

TESTIMONY OF JEFFREY B. IAFRATI

1 **Q: PLEASE STATE YOUR NAME, TITLE AND BUSINESS ADDRESS.**

2 My name is Jeffrey B. Iafrazi. I am the ISO's Market and Credit Risk Manager.

3 My business address is One Sullivan Road, Holyoke, Massachusetts 01040-2874.

4

5 **Q: PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**
6 **WORK EXPERIENCE.**

7 A: I joined the ISO in 2008 to manage its Market & Credit Risk Department. In this
8 role, I am primarily responsible for the development and implementation of ISO
9 New England's credit policies as well as integrating risk theory into the ISO's
10 market design process. Prior to joining the ISO, I worked for seven years as an
11 independent consultant focusing primarily on the energy industry. Engagements
12 included conducting extensive cost/benefit and feasibility analyses of third-party
13 clearinghouse providers and developing credit coverage requirements for
14 Financial Transmission Right ("FTR") and virtual markets for the ISO. My
15 experience also includes providing supply chain and strategic consulting services
16 to the U.S. and European automakers on behalf of Carlisle & Company, Inc. and 9
17 years of energy consulting at Levitan & Associates, Inc. ("LAI"), last performing
18 as an Executive Consultant. At LAI, I worked extensively on merger and

1 acquisition analyses, generator asset valuations, project viability analyses and
2 non-utility generation contract restructuring efforts. I hold an A.B. in Economics
3 from Harvard College.

4

5 **Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
6 **PROCEEDING?**

7 A: The purpose of this testimony is to explain proposed revisions (the “FAP
8 Revisions”) to the ISO’s Financial Assurance Policy (the “Policy”).

9

10 **Q: WHY IS THE ISO PROPOSING TO CLARIFY WHICH ENTITY IS**
11 **RESPONSIBLE FOR FINANCIAL ASSURANCE IN THE FORWARD**
12 **CAPACITY MARKET (“FCM”)?**

13 A: Under Section VII of the Policy as currently written, the entity required to provide
14 financial assurance related to activities in the FCM is the “Designated FCM
15 Participant.” “Designated FCM Participant” is currently defined as “[a]ny Market
16 Participant transacting in any Forward Capacity Auctions, Reconfiguration
17 Auctions, or Bilateral Transactions for capacity that is otherwise required to
18 provide additional financial assurance under the Policy.” The definition’s
19 reference to “any Market Participant” has caused confusion because the Lead
20 Market Participant for a resource and the resource owner are not always the same,
21 although both are Market Participants. This has created ambiguity about which
22 entity is responsible for FCM-related financial assurance. To remove this
23 ambiguity, the FAP Revisions clarify the introductory provisions of Section VII

1 of the Policy to provide that the Designated FCM Participant is the “Lead Market
2 Participant” for a resource transacting in any Forward Capacity Auctions,
3 Reconfiguration Auctions, or Capacity Supply Obligation Bilaterals. Further, the
4 FAP Revisions add language to Section VII providing that if the Lead Market
5 Participant for a resource changes, then the new Lead Market Participant for the
6 resource will become the Designated FCM Participant, and, accordingly, will be
7 required to provide the financial assurance required for the FCM.

8

9 **Q: PLEASE EXPLAIN WHY THE ISO IS REVISING THE CALCULATION**
10 **OF FINANCIAL ASSURANCE REQUIREMENTS FOR CAPACITY**
11 **CHARGES IN THE FCM.**

12 A: Pursuant to Section II.C of the currently effective Policy, once the first Capacity
13 Commitment Period for the FCM begins (on June 1, 2010), the calculation of LSE
14 Capacity Charges will be used to determine the financial assurance requirements
15 for capacity charges. The current calculation of LSE Capacity Charges is based
16 on only one month of capacity charges (see Section II.C(iv) of the Policy).
17 Because FCM capacity charges are billed one month in arrears, for much of a
18 calendar month the default exposure for capacity charges can equal up to two
19 months of capacity charges. Thus, the ISO and the Pool will be under-
20 collateralized for capacity charges much of the time.

21

22 **Q: HOW WILL THE CALCULATION OF FINANCIAL ASSURANCE**
23 **REQUIREMENTS FOR CAPACITY CHARGES BE CHANGED?**

1 A: The FAP Revisions (in Section VII.C of the Policy, as revised) eliminate the use
2 of the defined term “LSE Capacity Charges” in provisions identifying the
3 components that contribute to the total required amount of financial assurance,
4 and specify a calculation of FCM Capacity Charge Requirements, namely, the
5 product of the Estimated Capacity Load Obligation times the Estimated Net
6 Regional Clearing Price (“ENRCP”) for the applicable Capacity Zone. For
7 purposes of the calculation of the FCM Capacity Charge Requirements, the
8 Estimated Capacity Load Obligation will be the Capacity Requirement from the
9 latest available month, adjusted as appropriate to account for any relevant
10 Capacity Load Obligation Bilaterals, HQICCs, and Self-Supplied FCA Resource
11 Designations for the applicable month. The ENRCP for a Capacity Zone will be
12 calculated as follows:

13
14 (i) If the latest available Net Regional Clearing Price for the Capacity Zone is for
15 a month that is within the current Capacity Commitment Period, then the ENRCP
16 will be the Net Regional Clearing Price for the latest available month for the
17 applicable Capacity Zone.

18
19 (ii) If the latest available Net Regional Clearing Price for the Capacity Zone is for
20 a month that is within the immediately preceding Capacity Commitment Period,
21 then the ENRCP will be the Net Regional Clearing Price for the latest available
22 month for the applicable Capacity Zone, adjusted by the quotient of the Capacity
23 Clearing Price for the applicable Capacity Commitment Period divided by the

1 Capacity Clearing Price for the immediately preceding Capacity Commitment
2 Period. If for the purpose of the calculation in this clause (ii) the Capacity
3 Clearing Price for the Capacity Zone is not available from the immediately
4 preceding Capacity Commitment Period, then the ENRCP to be used in the
5 calculation of the FCM Capacity Charge Requirements will be the Capacity
6 Zone's Capacity Clearing Price for the applicable Capacity Commitment Period.

7
8 Using this new calculation for FCM Capacity Charge Requirements will reflect a
9 more precise estimate of the ISO's default exposure for capacity charges
10 throughout the month, which will in turn allow the proper collateralization of
11 those charges.

12
13 **Q: PLEASE EXPLAIN THE CHANGES TO THE FINANCIAL ASSURANCE**
14 **PROVISIONS RELATED TO SUSPENSION OF NON-MUNICIPAL**
15 **MARKET PARTICIPANTS.**

16 A: The suspension provisions in the Policy currently provide (in Section II.D.2.a)
17 that any transactions with a suspended Non-Municipal Market Participant (other
18 than transactions for Commercial Capacity or Non-Commercial Capacity during
19 the Non-Commercial Capacity Cure Period) that cause the suspended Non-
20 Municipal Market Participant to incur a financial obligation in the ISO's
21 settlement system or any liability to the ISO, NEPOOL, or the Market Participants
22 will be deemed terminated for purposes of the Day-Ahead Market Clearing and
23 the ISO's settlement system. When this language was included in the Policy,

1 there were no other provisions to collateralize Capacity Supply Obligation
2 Bilaterals. However, last year the Policy was revised (in Docket No. ER10-62) to
3 collateralize the transfer of Capacity Supply Obligations acquired through
4 Capacity Supply Obligation Bilaterals. Consequently, there is no need to deem a
5 Capacity Supply Obligation Bilateral terminated if one of the parties to the
6 transaction is a suspended Non-Municipal Market Participant. For that reason,
7 language is being added to Section II.D.2.a of the Policy to provide that if a Non-
8 Municipal Market Participant has provided the financial assurance required for a
9 Capacity Supply Obligation Bilateral, then that Capacity Supply Obligation
10 Bilateral will not be deemed terminated when that Non-Municipal Market
11 Participant is suspended.

12

13 **Q: WHY IS THE ISO PROPOSING TO AMEND THE FINANCIAL**
14 **ASSURANCE PROVISIONS RELATED TO TERMINATION OF A**
15 **CAPACITY SUPPLY OBLIGATION IN THE FCM?**

16 A: Section VII.C of the Policy¹ currently provides that if a Designated FCM
17 Participant fails to meet a qualification milestone or fails to have its Non-
18 Commercial Capacity declared commercial by the ISO deadline for the applicable
19 Capacity Commitment Period or otherwise takes any action that results in the
20 termination of its Capacity Supply Obligation, then the ISO will terminate the
21 relevant award of Non-Commercial Capacity and will draw down the financial
22 assurance that was provided by the Designated FCM Participant for that Non-

¹ I note that, due to other changes included in the FAP Revisions, the substance of Section VII.C of the current version of the Policy becomes Section VII.D.

1 Commercial Capacity. This language is inconsistent with Section III.13.3.4(c) of
2 Market Rule 1, which provides that if a Project Sponsor does not cover its
3 Capacity Supply Obligation for the portion of the Capacity Commitment Period
4 for which the project will not have achieved Commercial Operation, then the ISO,
5 after consultation with the Project Sponsor, shall have the right, through a filing
6 with the Commission, to terminate the resource's Capacity Supply Obligation for
7 any future Capacity Commitment Periods and the resource's right to any
8 payments associated with that Capacity Supply Obligation in the Capacity
9 Commitment Period and, upon Commission ruling, the Project Sponsor will
10 forfeit any financial assurance provided with respect to that Capacity Supply
11 Obligation.

12
13 **Q: HOW DO THE FAP REVISIONS ADDRESS THIS INCONSISTENCY**
14 **WITH SECTION III.13.3.4(c) OF MARKET RULE 1?**

15 A: To address this inconsistency, the language in the Policy is being revised to
16 conform with the provisions of Market Rule 1. Pursuant to amended Section
17 VII.D of the Policy, the ISO will draw down the financial assurance provided by
18 the Designated FCM Participant if a Capacity Supply Obligation is terminated
19 under the Market Rule. New language is also being added to the Policy to state
20 that if the Designated FCM Participant has not provided enough financial
21 assurance to cover the amount due (or that would have been due but for the
22 Designated FCM Participant's positive Credit Limit) by such Designated FCM
23 Participant with respect to the Non-Commercial Capacity being terminated under

1 the Market Rule, then the ISO, pursuant to revised Section VII.D., will issue an
2 Invoice to the Designated FCM Participant for that amount.

3

4 **Q: WHY IS THE ISO ESTABLISHING CONSEQUENCES FOR A BANK'S**
5 **FAILURE TO HONOR THE TERMS OF A LETTER OF CREDIT ISSUED**
6 **OR (AS APPLICABLE)² CONFIRMED IN FAVOR OF THE ISO?**

7 A: An irrevocable standby letter of credit is an acceptable form of financial assurance
8 under Section X of the Policy. To be eligible to issue letters of credit in favor of
9 the ISO, a bank must comply with the requirements outlined in the Policy. In
10 addition, each letter of credit provided by a Posting Entity (i.e., a Market
11 Participant or Non-Market Participant Transmission Customer) must be in the
12 form included as Attachment 2 to the Policy. The language in the form letter of
13 credit allows the ISO to draw on the letter of credit by presenting a drawing
14 certificate to the bank. Specifically, the form letter of credit provides that if a
15 drawing certificate is presented on a business day before 10:00 a.m., the bank
16 must satisfy the drawing request on the same business day. If the drawing
17 certificate is received after 10:00 a.m., then the bank must satisfy the drawing
18 request on the next business day.

19

20 In February and November of 2009, the ISO presented drawing certificates to
21 two different banks on business days before 10:00 a.m., but the banks failed to

² I note that confirmed letters of credit will be an acceptable form of financial assurance following the effective date of the revisions to the Policy filed in Docket No. ER10-942-000, if accepted by the Commission. The effective date for those changes will be on or after December 1, 2010, based on advance notice provided by the ISO.

1 wire the funds to the ISO on those same business days as required by the terms of
2 the letters of credit. In these two instances, the Posting Entities paid their
3 outstanding invoices on the same days when the letters of credit were not honored
4 by the banks and, as a result, the ISO had enough funds to pay weekly
5 remittances. However, had those Posting Entities not paid their invoices, the ISO
6 would not have had sufficient funds to pay weekly remittances without enacting
7 additional measures as provided for under Section 3.3 of the ISO's Billing Policy
8 concerning payment defaults.

9

10 **Q: HOW DO THE FAP REVISIONS PROTECT AGAINST SIMILAR**
11 **SITUATIONS IN THE FUTURE?**

12 A: In order to protect against similar situations in the future, and to deter banks from
13 not honoring the terms of letters of credit issued or (as applicable) confirmed in
14 favor of the ISO, language has been added to Section X.B of the Policy to provide
15 that, if a bank fails to honor one or more letters of credit, then the ISO will issue a
16 notice of such failure to the NEPOOL Budget and Finance Subcommittee, to all
17 members and alternates of the Participants Committee, to the New England
18 governors and utility regulatory agencies and to the billing and credit contacts for
19 all Market Participants. Further, if a bank fails to honor either the terms of one
20 letter of credit twice or the terms of two letters of credit in a rolling seven hundred
21 and thirty day period, then the bank will no longer be eligible to issue or (as
22 applicable) confirm letters of credit in favor of the ISO and any letters of credit

1 already issued or (as applicable) confirmed by such bank in favor of the ISO will
2 not be renewed.

3

4 **Q: PLEASE DESCRIBE THE ADDITIONAL CLEAN-UP CHANGES**
5 **PROPOSED BY THE ISO.**

6 A: The FAP Revisions effect a few additional FCM-related clean-up changes that
7 include, among others: (1) replacing the term “Bilateral Transaction” with the
8 correct term “Capacity Supply Obligation Bilateral;” (2) deleting language related
9 to Installed Capability transactions (which will no longer exist after the beginning
10 of the first Capacity Commitment Period); and (3) making other clean-up changes
11 to the language providing that if only a portion of a Resource is declared
12 commercial, then the Designated FCM Participant is still required to include an
13 amount attributable to any remaining Non-Commercial Capacity in the
14 calculation of its financial assurance requirement. These changes are made in
15 Sections II and VII of the Policy.

16

17 The FAP Revisions also include other very minor non-substantive revisions that
18 are intended to clarify the language in the Policy.

19

20 **Q: DOES THIS CONCLUDE YOUR TESTIMONY AT THIS TIME?**

21 A: Yes.

1 I declare, under penalty of perjury, that the foregoing is true and correct.


2

3 Executed on April 12, 2010.

4

5

6

A handwritten signature in black ink, appearing to read 'Jeffrey B. Iafrati', is written over a horizontal line. The signature is stylized and somewhat cursive.

7

Jeffrey B. Iafrati

8

Manager, Market and Credit Risk

9

10

Commonwealth of Massachusetts

11

Hampden ss.

12

13

On this 12th day of April, 2010, before me, the undersigned notary public, personally

14

appeared Jeffrey B. Iafrati, proved to me through satisfactory evidence of personal

15

knowledge of identity, to be the person who signed the preceding or attached document

16

in my presence, and who swore or affirmed to me that the contents of the document are

17

truthful and accurate to the best of his knowledge or belief.

18

19

A handwritten signature in blue ink, appearing to read 'Linda M. Morrison', is written over a horizontal line. The signature is cursive.

20

Linda Morrison, Notary Public

21

My Commission Expires: 1/28/2011

Attachment 4

The Honorable John E. Baldacci
One State House Station
Rm. 236
Augusta, ME 04333-0001
Karin.tilberg@maine.gov
Kelly.arata@maine.gov

John Shea
Power Planning Committee
New England Governors' Conference
Inc.
76 Summer Street, 2nd floor
Boston, MA 02110-1226
Charon2@msn.com

Heather Hunt
Executive Director
NESCOE
242 Whippoowill Lane
Stratford, CT 06614
HeatherHunt@nescoe.com
HReiter@stinson.com

Rhode Island Public Utilities
Commission
89 Jefferson Blvd.
Warwick, RI 02888
Sscialabba@ripuc.state.ri.us
nucci@puc.state.ri.us
Proberti@puc.state.ri.us

The Honorable M. Jodi Rell
State Capitol
210 Capitol Ave.
Hartford, CT 06106
Governor.Rell@ct.gov

New Hampshire Public Utilities
Commission
21 South Fruit Street
Ste. 10
Concord, NH 03301-2429
RegionalEnergy@puc.nh.gov

Massachusetts Dept. of Public Utilities
One South Station
Boston, MA 02110
John.j.keene@state.ma.us

Vermont Public Service Board
112 State Street, Drawer 20
Montpelier, VT 05620-2701
HReiter@stinson.com
Hans.mertens@state.vt.us

Harvey L. Reiter, Esq.
Counsel for New England Conference
Of Public Utilities Commissioners,
Inc.
c/o Stinson Morrison Hecker LLP
1150 18th Street, N.W., Ste. 800
Washington, DC 20036-3816
HReiter@stinson.com

William M. Nugent, Executive
Director
New England Conference of Public
Utilities Commissioners
50 Forest Falls Drive, Suite 6
Yarmouth, ME 04096-6937
director@necpuc.org

Maine Public Utilities Commission
State House, Station 18
242 State Street
Augusta, ME 04333-0018
Maine.puc@maine.gov

Connecticut Dept. of Public Utilities
10 Franklin Square
New Britain, CT 060512605
brenda.henderson@po.state.ct.us
and robert.luysterborghs@po.state.ct.us

The Honorable John H. Lynch
Office of the Governor
26 Capital Street
Concord NH 03301
governorlynch@nh.gov