

To: NEPOOL, NECPUC, NESCOE

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Date: May 15, 2025

Subject: Update on Asset Condition Project Process

This memo serves as a status update on requests from the New England states and several stakeholders over the last year for the ISO to consider potential changes to the current process for the review of asset condition projects.

ISO New England has limited involvement in the Transmission Owners' (TO) asset condition projects and has previously expressed specific concerns over whether it could or should take on additional duties in this space. While the ISO has stated that it would be supportive of additional oversight of asset condition projects, we have indicated that this oversight should not be assigned to the ISO for various reasons. However, given the significant benefits to the region from a robust process and independent review of asset condition projects, we are now exploring the issue further.

Over the past month, we have had some preliminary discussions about this issue with the states and the TO sector. In these discussions, the ISO identified threshold matters that we considered to be crucial for agreement before any further exploration of an expanded role for the ISO. The following matters were identified as necessary requirements for the ISO should it take on this role:

1. The TOs will indemnify ISO-NE for any liability related to the ISO's reviewer role on asset condition projects, except for ISO-NE's gross negligence or willful misconduct.
2. The "Asset Condition Reviewer" role is advisory. It will not make decisions about whether to proceed with specific asset condition projects, nor will it be the petitioning party in any local, state or federal regulatory or siting proceeding concerning an asset condition project.
3. The "Asset Condition Reviewer" will not make a legal finding on or issue an opinion on the question of whether the costs of any given asset condition project are prudent.

The TOs and the states have indicated support for these threshold matters. Therefore, since our core concerns have been mitigated, we are planning to work on a framework for the ISO to take on this new role.

We are currently considering how the work necessary to create the Asset Condition Reviewer role could fit into our 2026 Annual Work Plan. This work includes defining the scope, resourcing, and responsibilities of such a role, as well as several other important structural matters. Following the ISO's assessment and the development of any preliminary framework, we plan to bring that proposal to our stakeholder community for discussion and feedback.