memo

To:	Planning Advisory Committee (PAC)
From:	ISO Long-Term Planning
Date:	August 3, 2026
Subject:	Explanation of the "Downside" Scenario Considered in the 2025 Longer-Term Transmission Planning Request for Proposal (2025 LTTP RFP) Presentation and Report

This memo provides clarification regarding the "Downside" scenario discussed on slide 65 of the ISO's July 28, 2026 PAC presentation and on pg. 67 of the draft report on the preliminary preferred Longer-Term Transmission Solution for the 2025 LTTP RFP. In the presentation, the bullet read:

> *"**Cost containment is weak across both LTPs A1 and A2**: Each proposal includes a soft cap on capital costs. Across the consultant's modeled scenarios, these mechanisms perform poorly, with PVRR growing by an average of 150% in the 'Downside' scenario, indicating limited customer protection."*

A similar statement was also made in the draft report. While the "Downside" scenario was explained by the ISO during the PAC meeting, the ISO has become aware that, when read in isolation, the materials have led to stakeholder misunderstandings. Additionally, in developing a response to the questions, the ISO found an error in the statement that needs to be corrected. This correction, along with clarification on the "Downside" scenario, is provided below. These will also be provided in the final report on the preferred Longer-Term Transmission Solution for the 2025 LTTP RFP.

During the ISO's review of the Longer-Term Proposals, the ISO's financial consultant tested several different scenarios to test the effectiveness of the submitted cost containment proposals. The intent of these scenarios was to stress test the cost containment proposals so that the ISO could understand their weaknesses and to investigate whether any cost containment proposal provided any potential advantages. In that testing, one scenario, referred to as the "Downside" scenario, combined the tests performed in all other scenarios to develop one very extreme test. To explain the severity of that test, the ISO is providing the assumptions that were used in that scenario. The assumptions were:

- The project cost was assumed to be 2.5 times larger than included in the proposal, including the corollary upgrade costs
- ROE was assumed to increase by 1%
- Cost of debt was assumed to increase 2%
- Equity share was assumed to increase by 10%
- O&M costs were assumed to be 1.5 times larger than what had been provided

ISO New England Inc.
One Sullivan Road
Holyoke, MA 01040-2841

iso-ne.com
isonewswire.com
@isonewengland
iso-ne.com/isotogo
iso-ne.com/isoexpress

Upon developing this explanation, the ISO found a small error that occurred when translating the information from the consultant. The average increase in PVRR in the Downside scenario for A1 and A2 should say 167%, rather than 150%.

The ISO would like to emphasize that the purpose of the "Downside" scenario is to combine the "worst case" of all other univariate scenarios and stress test the effectiveness of the full suite of cost containment measures using a single scenario. As such, the "Downside" scenario does not indicate a probable outcome. Stakeholders should not infer that this increase in cost is an expected outcome from its inclusion in the testing.