

ISO NEW ENGLAND INC.
CHARTER OF THE
MARKETS COMMITTEE
OF THE BOARD OF DIRECTORS

COMMITTEE TITLE

This committee (the “Committee”) will be called the Markets Committee of the Board of Directors of ISO New England Inc. (the “Company”).

PURPOSE

The Committee is a standing committee of the Board of Directors of the Company.

The Committee will be responsible for overseeing issues relating to the New England markets including, without limitation, oversight of the Company’s market assessments and market monitoring, reporting and market-power mitigation functions and oversight of substantive market analyses and development.

The Committee will be responsible for establishing procedures for reviewing issues relating to the New England markets.

MEMBERSHIP

The Committee will consist of three or more independent members of the Board of Directors of the Company. Each member of the Committee must meet all independence standards imposed under the Company’s charter, by-laws and code of conduct.

AUTHORITY AND RESPONSIBILITIES

The Committee has the authority to review and make recommendations with regard to the design, structure and performance of the wholesale electricity markets in New England including, without limitation, the oversight of the Company’s market assessments and market monitoring, reporting and market power mitigation functions.

The Committee shall review key risks within the scope of its oversight of Company operations and will report to the Board of Directors regarding these key risks no less frequently than annually.

The Committee shall have direct responsibility for the oversight of the work of the Company’s internal and external market monitoring units, provided that the internal market monitoring unit shall report to the Chief Executive Officer for administrative purposes only.

In performing its functions, the Committee shall undertake those tasks and responsibilities that, in its judgment, would most effectively contribute to fulfilling and implementing the purposes of the Committee.

The following are some common recurring activities of the Committee in carrying out its responsibilities:

Related to market design, structure and performance:

- Review, discuss and oversee the design and structure of the wholesale electricity markets, consistent with the Vision Statement adopted by the Board.
- Review, discuss and oversee requirements of, and compliance with, FERC orders and regulations relating to the wholesale markets, market monitoring and market power mitigation.

Related to oversight of the internal and external market monitoring units:

- Review, discuss and make recommendations to the Board regarding both the selection of, and contract with, an external market monitoring unit.
- Review, discuss and make recommendations to the Board regarding the appointment, replacement or dismissal of the Vice President or Director of the internal market monitoring unit.
- Annually review the performance of the Vice President or Director of the internal market monitoring unit.
- Annually propose compensation for the Vice President or Director of the internal market monitoring unit.
- Review and approve the internal market monitoring unit's annual business plan and review results at year-end.
- Periodically review the scope and coverage of the internal and external market monitoring units for adequacy.
- Ensure that significant changes to the design or structure of the wholesale electricity markets are appropriately reflected in the scope of the internal and external market monitoring units.
- Ensure that management addresses issues raised by the internal and external market monitoring units.
- Oversee the internal market monitoring unit's communications with management and ensure that the unit conducts its work in a manner that is consistent with the guidance of the Federal Energy Regulatory Commission.
- Review and discuss reports and recommendations by the internal and external market monitoring units, review management's responses thereto, and make recommendations to the Board regarding such reports and recommendations.

The Committee has the authority to retain legal counsel or other advisors to advise the Committee in the performance of its duties.

The Committee shall make regular reports to the Board. The Committee may review and reassess the adequacy of this Charter and recommend any proposed changes to the Board for approval. The Committee shall review the Committee's own performance annually.