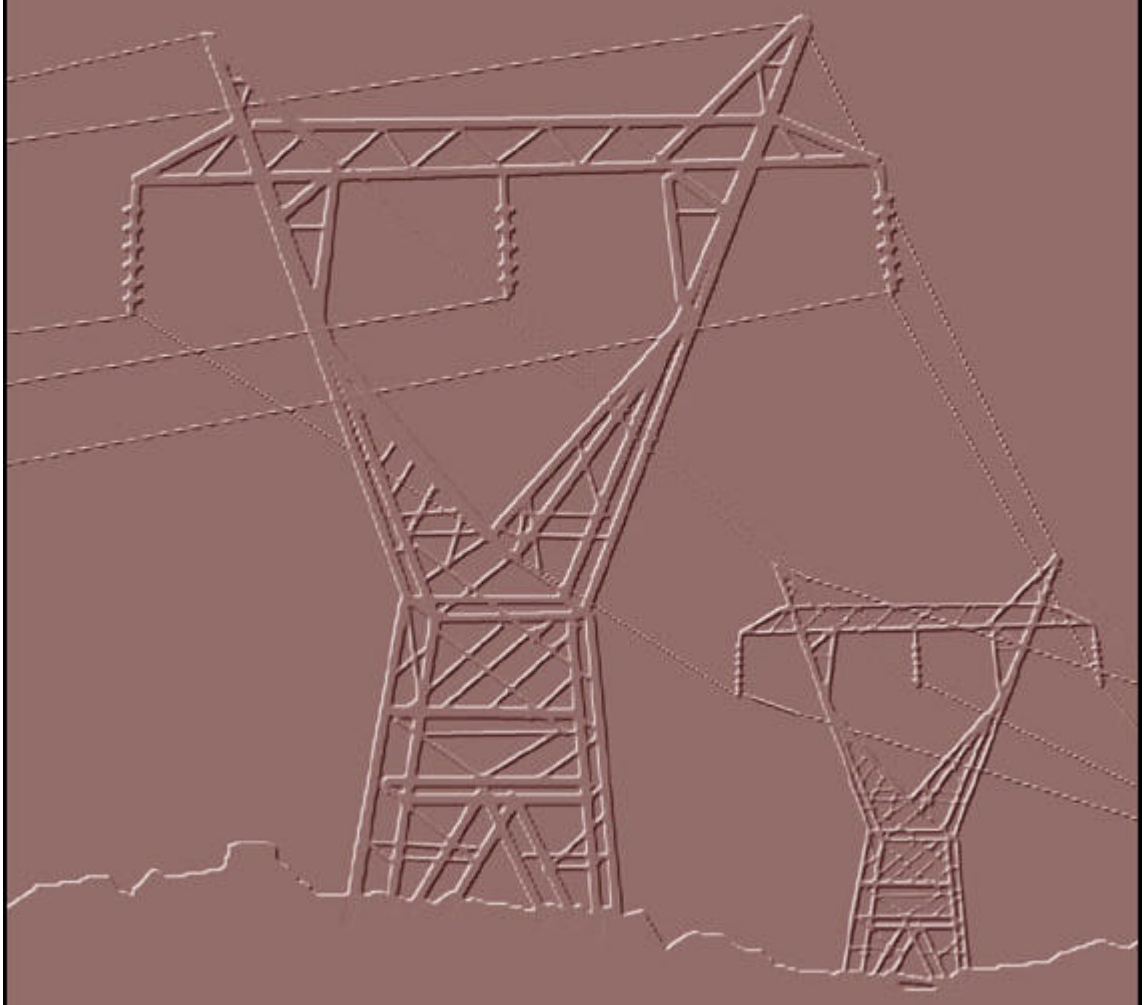
NOTHING ENDURES *but* CHANGE



ISO NEW ENGLAND 1999 ANNUAL REPORT

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Vision Statement

ISO New England sets the electric-industry standard for reliable operation and planning of the bulk power system and a fair, effective, and efficient electricity marketplace.

Mission Statement

ISO New England will:

- Independently operate and administer a highly reliable bulk transmission system and fair, efficient wholesale electricity markets.
- Work collaboratively and proactively with state and federal regulators, NEPOOL Participants, and other stakeholders.
- Attract, retain, and develop a talented, motivated workforce.
- Deliver valuable new products and services to market participants in a timely, cost-effective way.

Focus Areas

ISO New England will accomplish its mission through a focus on objectives in four areas:

- Reliable Operations through Effective Markets
- Adapting to Change
- Organizational Excellence
- Employee Development and Staffing Levels

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LETTER *from the* PRESIDENT

Philip J. Pellegrino
President and CEO

The foremost challenge facing today's electricity industry is managing change. For ISO New England, 1999 was the year in which a very young corporation, just two years old, came into its own by successfully managing change — and in doing so, became an industry leader. Through the hard work and dedication of its employees, ISO New England gathered critical resources to ensure the success of the region's wholesale electricity marketplace launched in May, while simultaneously maintaining bulk power system reliability during one of the harshest summer weather scenarios in the last forty years. As a result, ISO New England has solidified its position and taken on a leadership role within the industry.

The internal re-organization completed this year gives ISO New England the strong foundation to lead industry change to benefit all market participants and, ultimately, consumers. Our new organizational structure also reflects an increase in ranks. As of December 31, 1999, more than 230 people worked at the ISO, up from 176 a year before. This staff increase has bolstered our ability to effectively administer both the marketplace and power grid operations. We expect to further strengthen our staff resources and core competencies in 2000 to meet the challenges ahead, thanks to the support of our Board and the New England Power Pool (NEPOOL).

In the first year of markets operation, growth in market participation and financial investment in the development of new power plants has occurred — and the numbers speak for themselves. NEPOOL membership has grown and applications for membership continue to be received. Development in new generation is at an all-time high with more than 30 projects currently on the drawing board. This progress is substantial and only underscores the evolving collaborative process between the ISO and NEPOOL and our joint commitment to making this nascent marketplace a viable one.

This year we also took the opportunity to forge a three-year plan for the ISO. With input from our key stakeholders — our employees, Board of Directors, Advisory Committee to the Board, NEPOOL and the region's regulatory community, our three-year plan received widespread approval. This plan now serves as a blueprint for guiding the ISO's efforts in the region and improvement of the markets through the next stage of industry development.

Looking beyond the borders of New England, cooperation with our neighboring ISOs (New York and PJM) was formalized this year with the signing of the Memorandum of Understanding (MOU) in August. The Ontario IMO executed the MOU in December. The MOU demonstrates our commitment to managing change by promoting seamless markets across the Northeast and enhancing coordination among the control areas.

As we move into the next century, with the concerns over Y2K issues happily behind us, the only sure thing about this industry is that change will continue. New issues have since replaced those resolved in 1999 and the innovative thinking needed to excel in today's business climate has already begun to reap new ideas and approaches. ISO New England is well positioned to excel during this historic time in the electric industry.

Prospects for the future are numerous, from implementation of Electronic Dispatch and Congestion Management/Multi-Settlement Systems, to the work just beginning on the formation of a Regional Transmission Organization. ISO New England now has a firm foundation in place and is ready to meet these challenges — along with those yet unforeseen — with confidence and determination. We are honored and privileged to serve the market participants and consumers. Our corporate values, which can be found on the back cover, will govern our day-to-day behavior and expectations.

It is with pleasure that I offer this report to all our constituencies as a record of our achievements this past year and our unwavering desire to provide the very best in fairness, efficiency, and competition for the region's restructured electricity industry. Quite frankly, the future has never looked so bright.

Yours sincerely,
Philip J. Pellegrino
President and Chief Executive Officer

ISO New England
1999 Milestones

December 1998	>	FERC conditionally approves New England Power Pool Market Rules and Procedures
January 1999	>	New England hits new winter peak: 20,320 Megawatts (MW)
February 1999	>	Mock Markets continue
	>	May 1st set as opening day for wholesale markets
March 1999	>	NEPOOL submits preliminary proposal for Congestion Management and Multi-Settlement Systems
April 1999	>	ISO New England and NEPOOL participate in a North American-wide Y2K communications drill
	>	FERC approves NEPOOL Market Rules and Procedures, Authorizes ISO to open markets on May 1
May 1999	>	New England's wholesale electricity marketplace debuts - bid-based system for buying, selling wholesale electricity begins
	>	The region's electricity industry conducts successful Y2K communications drill
	>	NEPOOL Governance changed. Sector voting and new committee structure introduced. Participants Committee replaces both the executive committee and management committee
	>	FERC issues "Notice of Proposed Rulemaking" on Regional Transmission Organizations
June 1999	>	New England heat wave creates unusually high demand for electricity while 6,000 MW of generation is out-of-service due to annual, routine maintenance and refueling
	>	ISO New England and NEPOOL participants file report on Y2k readiness with NERC
	>	First meeting of NEPOOL Participants Committee held
July 1999	>	Third heat wave to hit New England results in all-time peak load for electricity usage: 22,544 MW
	>	ISO New England implements new internal organizational structure
	>	FERC accepts NEPOOL's preliminary filing on Congestion Management and Multi-Settlement Systems
August 1999	>	ISO New England, Pennsylvania, New Jersey, Maryland Interconnection (PJM), and New York ISO leadership sign Memorandum of Understanding
	>	New England's electricity industry conducts successful New England-wide Y2k readiness drill
September 1999	>	NERC conducts North American-wide Y2k drill coincident with the computer time-stamp of 9-9-99
	>	NEPOOL Interim Review Board formed and appeals process begins
October 1999	>	First Northeast Interregional ISO conference held

> ISO New England year 2000 budget finalized

> ISO New England files with FERC the Tariff for Transmission Dispatch and Power Administration Services

December 1999

> ISO New England successfully completes its first SAS 70 audit

> FERC issues Order 2000 on Regional Transmission Organizations - its vision for the future of the industry

> No Y2k computer glitches occur. Systems successfully rollover to the Year 2000

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A year of changing relationships

Now more than two years strong, the relationship between ISO New England and the New England Power Pool (NEPOOL) has been a work in progress and has paralleled the changing business environment that industry restructuring has brought about.

ISO New England was created when NEPOOL filed with the Federal Energy Regulatory Commission (FERC) in December 1996 to establish an independent system operator for the region — in response to FERC Orders 888 and 889. The ISO opened for business on July 1, 1997 and proceeded to take over immediate responsibility of the region's power grid and its daily dispatch. ISO New England also embarked on the design implementation phase of NEPOOL's wholesale power exchange.

As an independent, not-for-profit organization where employees have no financial interest in any NEPOOL member company, ISO New England enjoys an "arms length" relationship with market participants to ensure all participants are treated equally and that the wholesale markets remain competitive for all.

Our relationship with NEPOOL has changed significantly — an evolution of sorts shaped by the design and implementation of the wholesale power exchange as well as changes in NEPOOL governance. Once the wholesale markets were launched on May 1, 1999, ISO's role changed from developer of the markets to administrator, with the responsibility of ensuring a fair, efficient and competitive marketplace moving to the forefront.

As part of the governance restructuring process, ISO New England was assigned to chair the NEPOOL technical committees. Beginning in early 2000, ISO New England staff will chair the newly formed Markets Committee, Tariff Committee and the Reliability Committee.

Both ISO New England and NEPOOL agree that the ultimate goal is to maintain fairness and market efficiency for all market participants. With this in mind, the relationship will remain a strong one as the future brings yet further changes and transitions become more commonplace.

Changing responsibilities

Synergy and seamlessness are the goals of the Memorandum of Understanding (MOU) — a pledge made by the three northeast independent system operators — ISO New England, New York ISO and Pennsylvania, New Jersey and Maryland Interconnection and our neighbor to the north, Ontario's Independent Market Operator. The MOU reinforces longstanding cooperative efforts to enhance reliability, encourages effective congestion management, and seeks to eliminate market barriers to entry or exit.

The MOU has strengthened the ISOs' commitment to independence and follows the key ISO principles advocated by FERC. It also corresponds to the concepts promoted by FERC in its Order 2000. Five working groups comprise the MOU: Business Practices, Communications, Operations, Planning, and Information Technology. According to Philip J. Pellegrino, President and CEO of ISO New England, "The MOU provides the needed platform for benchmarking procedures, to share lessons learned and to coordinate activities."

The MOU was unveiled and the charters of its working groups were presented to key constituencies, including the regulatory community, at the first inter-regional ISO conference sponsored by the New York State Public Service Commission and held in Albany, New York in October.

Regional Transmission Organizations

As the industry readies itself for the next millennium, FERC is stimulating industry restructuring yet again, this time with its support for the formation of Regional Transmission Organizations (RTOs) presented in its Order 2000.

Order 2000 is designed to create more efficient transmission systems across the United States to support the growing number of regional wholesale electricity markets. By reconfiguring the existing patchwork transmission system into consolidated transmission organizations, FERC's goal is to spur interest in the investment and construction of transmission assets. Order 2000 also seeks to lower both economic and trade impediments among transmission organizations on a regional basis.

FERC wants RTOs to be voluntary in formation and will accept a variety of possible RTO structures. Throughout the Year 2000, FERC is sponsoring a series of workshops around the country for transmission owners, market participants and regional stakeholders to work in a collaborative process.

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Regional Transmission Organizations

ISO New England responded to Order 2000 by proposing a binary model that includes both an ISO and a Gridco organization. The ISO would remain the administrator of the power exchange and would continue to oversee the day-to-day dispatch of the bulk power grid. The Gridco would be a "for-profit" entity, designed to manage transmission assets for owners, and to upgrade, reinforce and expand the bulk transmission system.

ISO New England believes that this arrangement would be complementary, both for efficiencies of market and continued reliable grid operation. By establishing a for-profit entity such as a Gridco, ISO New England anticipates that capital formation to New England's transmission system would be facilitated. This will ensure that electric commerce will be accommodated without degrading system reliability. It is imperative that the ISO work closely and collaboratively with existing transmission owners and other stakeholders in New England to obtain their input and strive to achieve consensus on an RTO form for New England.

The ISO-Gridco model would also build on the relationship ISO New England has formalized with its neighboring ISOs with the signing of the MOU. The MOU strives to enhance both dispatch coordination and markets operation among the three northeast ISOs as well as Ontario's independent market operator, very much in keeping with the goals of Order 2000.

Evolving Customer Responsibilities

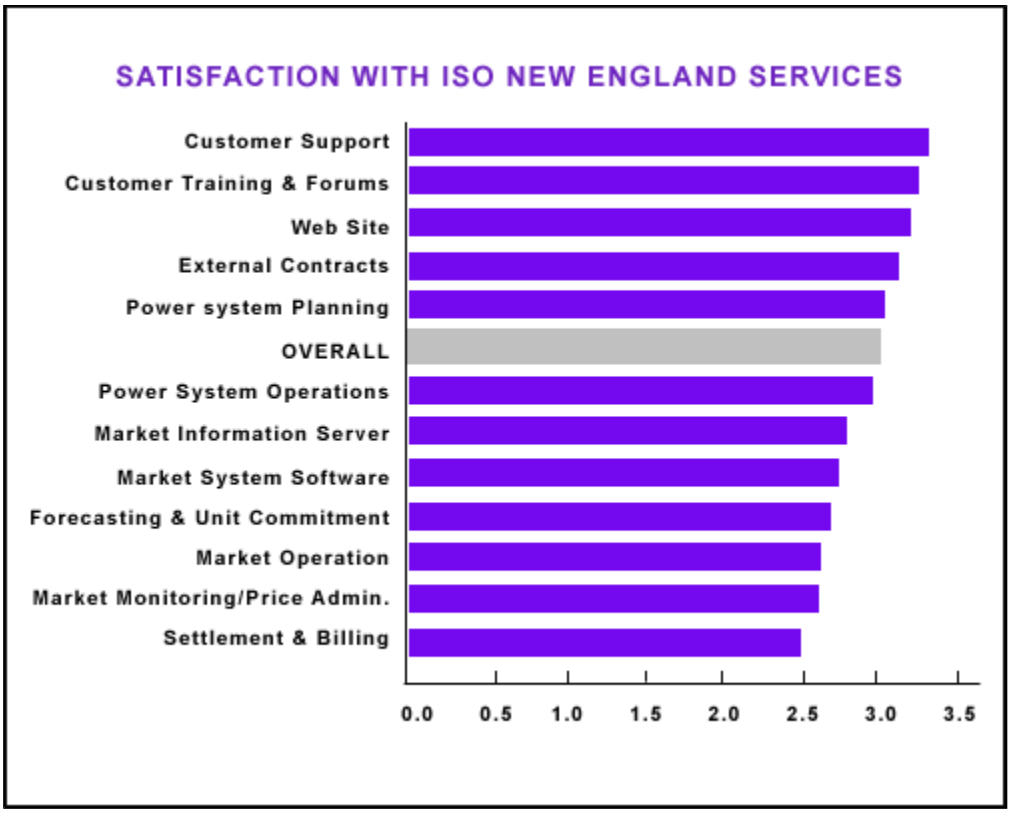
ISO New England continued to meet the changing needs of the NEPOOL Participants by expanding both training courses and communications channels to ensure important information about the marketplace is available to all market participants.

Our Customer Services and Training organization provided intensive hands-on Market System training to prepare market participants for the change to the wholesale market environment. Topics covered throughout the year included: Implementation Readiness, Market Rules and Operating Procedures, Orientation for New and Prospective NEPOOL Participants, and Market System Training. Of note was the creation of the "Customers Forum Series" which provided a forum for Participants to meet and discuss topical issues with ISO New England staff.

ISO New England stayed connected in other ways. Customer Services logged just under 10,000 inbound telephone calls from NEPOOL Participants in 1999 and tracked resolution of all inquiries via an online call tracking system called HEAT.

ISONEws, a weekly newsletter for market participants was launched. From "Things You Should Know About Your Bill" to the latest in software releases, articles from ISONEws provided vital information to market end-users.

The first-ever customer survey was conducted with the goal of clarifying and determining satisfaction of customer expectations. More than 416 staff from NEPOOL Participant's companies were contacted and provided valuable input on ISO New England's performance in the first year of wholesale market operations.



While overall satisfaction received a 3.0 on a four-point scale, the ISO's performance for individual services ranged from 2.5 to nearly 3.3.

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RELIABILITY *in the* AGE *of* COMPETITION

CHANGE *in the* WAY *the* SYSTEM WORKS— SYSTEM DISPATCH *goes from* COST-BASED *to* BID-BASED

How generation is selected for dispatch changed with the start-up of the wholesale electricity marketplace. Generation is now selected to run in merit order based on a bid price offered by the owner of generation — a departure from the cost-based economic dispatch used historically.

To support the new markets system, a state-of-the-art Energy Management System (EMS) was implemented that utilizes hardware architecture and software applications developed by ISO New England.

This sophisticated EMS computer platform combines generating unit characteristics and bid information from the EMS Market Database, with up-to-the-minute generator, external tie line and other SCADA (Supervisory Control and Data Acquisition) information received over ICCP telecommunications links. Control room operators use this data to match real-time system supply and demand.

THE MAKING *of a* MARKETPLACE— ELECTRICITY PRODUCTS *are* INTRODUCED

The change in electricity dispatch on New England's power grid corresponds to the introduction of "products" of electricity. Seven products were developed by the New England Power Pool to support both a vibrant energy power market and assure for reliability and reserve requirements of the bulk power grid. The products introduced in 1999 did that by offering Energy as the central product in the spot wholesale electricity market, supported by capacity, regulation and reserve products.

Under the new market system, market participants are able to conduct three types of transactions: bilateral contracts, self-scheduled generation and wholesale spot market activities through the power exchange operated by ISO New England. New England's day-ahead wholesale electricity marketplace is Internet-based, utilizing the very latest e-commerce technology.

The overall performance of the fledgling power exchange was generally sound. The Energy Market was the most active, with more than 10 million Megawatthours (MWh) changing hands, an average of a little more than 40,000 MWh per month. Both market participation and market liquidity is measured by the adjusted net interchange-the amount of total sales to, or purchases from, the pool. In 1999, adjusted net interchange as a percent of load was 13 percent.

Price behavior generally responded to the demands of the marketplace such that in periods of high demand, prices were typically higher, and conversely, in times of low demand, prices dropped accordingly. The highest price recorded for energy topped $1,000/MWh, but on average, the majority of the prices (47 percent) fell into the $20-30/MWh range, with an additional thirty percent of the energy clearing price between $30-$40/MWh.

1999 SYSTEM OPERATIONS

Despite a once-in-forty-year weather event in early June that left most of the Northeastern United States blanketed by hot and humid weather, ISO New England control room operators kept their cool, maintained power grid reliability and continued electricity delivery to all New England consumers. The extraordinary weather occurred the first week in June, less than one month into the launch of the wholesale power exchange, when extremely high temperatures caused demand to increase to record levels, while many generators were unavailable due to annual maintenance and refueling. During the months of June, July, and

August 1999 there were more than twenty days when the temperature exceeded 90° F in the Boston-Hartford metro areas.

One month later, on July 6, demand reached an all-time peak load of 22,544 MW at 2:00 p.m. This beat the record from a month earlier, set on June 8th of 21,749 MW. As a matter of safe power grid operations, Operating Procedure No. 4, Actions During a Capacity Deficiency was implemented on these two days. There were a total of eleven OP-4 events during the summer of 1999.

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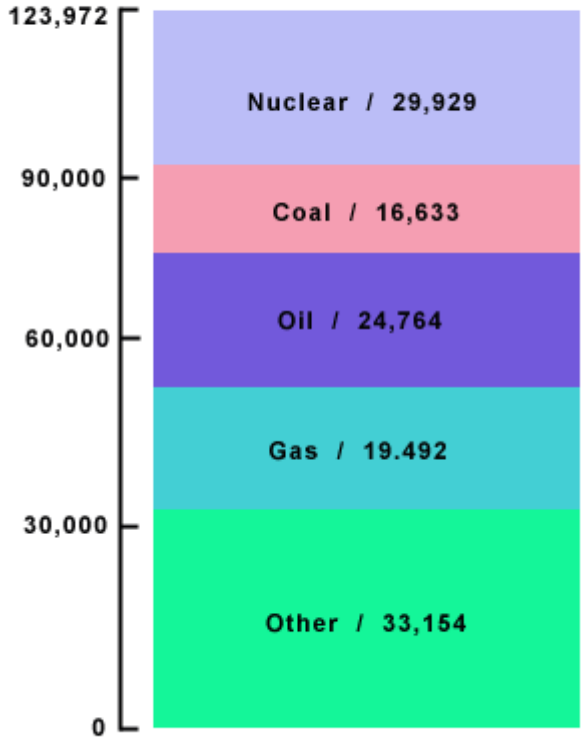
NEW ENGLAND SOURCES OF ENERGY, 1999

	1,000 MWH	% of total
Conv. Hydro	5,898	4.8
Pumped Storage	1,275	1.0
Light Oil	1,383	1.1
Nuclear	29,929	24.1
Coal	16,633	13.4
Gas	19,492	15.7
Residual Oil	23,381	18.9
Other*	6,490	5.2
Net Interchange	19,491	15.7
Total Gen. Req.	123,973	100.00
Pumping	(2,099)	
Net Load	121,873 GWH	
Annual Peak Load	22,544 MW	
Annual Load Factor	61.7%	

*includes Biomass, Wood, Refuse and Wind

NEW ENGLAND ENERGY MIX

Gigawatt hours



NEW GENERATION, MORE CAPACITY

Industry restructuring has unleashed a high level of interest in building new generation throughout the six-state New England region. In the past year alone, more than 500 MW have been added onto the power grid. Interest is tracked through the number of applications for a System Impact Study-a rigorous engineering study to model the impacts of a project's interconnection to the bulk power electricity system. More than forty projects, totaling 30,000 MW, have completed an application for either building a new power plant or for transmission expansion. Of these, 5,000 MW of new generation are now under construction. Nearly 1,300 MW of new generation is expected to be on line by summer 2000, in addition to that already added. These additional megawatts will go far to enhance reliability of the power grid, increase competition within the industry and spur growth in local economies. In addition, cleaner air should result because virtually all of this proposed generation will use natural gas.

COMPETITION TAKES ROOT

Wholesale market participation is growing as a result of the change in industry restructuring, and this growth is seen as vital to the overall maturing of this budding marketplace. At year's end, the number of NEPOOL Participants totaled 180, an increase from 130 a year before. Another vote of confidence can be seen in the number of energy marketers actively trading in the NEPOOL markets — more than 80 percent of the top twenty marketers nationwide currently participate in the region's electricity marketplace. ISO New England strives as the independent market administrator to assure for the integrity of the region's wholesale electricity markets and reliability in the bulk power generation and transmission systems. In doing so, ISO New England has attracted both new market participants and investment in new generation. The message is loud

and clear — the marketplace is working. The goals of a restructured electricity industry in New England are being realized. And with it, the benefits to market participants and consumers are beginning to take root.

Over the course of two short years, ISO New England has grown from a FERC concept to a full-fledged organization. The ISO's demonstrated abilities have placed the organization at the forefront of the industry, not only ready to manage — but to effect — the change necessary for restructuring to succeed. Firmly established in 1999, ISO New England's role as an industry leader is now poised to grow and flourish as we go forward in this age of reliable competition.

SUMMARY *of the* SAS 70 AUDIT

ISO New England engaged PricewaterhouseCoopers, LLC to perform an examination of our business processes under the provisions of American Institute of Certified Public Accountants (AICPA) Statement of Auditing Standards (SAS) No. 70, "Reports on the Processing of Transactions by Service Organizations", as of December 31, 1999. The report is intended to provide NEPOOL Market Participants and the independent accountants of NEPOOL Market Participants with information regarding the aspects of ISO New England control activities surrounding the processes and systems for bidding, accounting, billing, and settlements for energy, capacity, transmission and ancillary services, and the underlying information systems environment.

The SAS 70 report does not encompass every aspect of ISO New England's activities or services provided to market participants, as certain other activities are not considered relevant or were not placed in operation at December 31, 1999. In total, thirty-one business processes and over four hundred control activities were examined.

The examination included procedures to obtain reasonable assurance whether the business process controls are suitably designed to achieve the control objectives specified in the description if those controls are complied with and the user organizations applied the internal controls contemplated in the design of ISO New England's controls. Based upon the examination by PricewaterhouseCoopers, LLC, the controls, as described in the SAS 70 report, are suitably designed to provide reasonable assurance that the control objective would be achieved as of December 31, 1999 if the controls were adhered to satisfactorily and user organizations implemented internal controls contemplated in the design of ISO New England's controls.

NEW ENGLAND POWER POOL

The NEPOOL Governance Structure introduced in 1999 and approved by FERC revised both committee structure and voting scheme. The NEPOOL Executive and Management Committees were combined into the NEPOOL Participants Committee, and ISO New England now chairs NEPOOL's lower technical committees. The weighted voting scheme was replaced by sector voting, giving equal representation to five distinct business interests:

> generators
> transmission providers
> suppliers, marketers, brokers, and aggregators
> public entities (municipals and cooperatives)
> end users

A NEPOOL Review Board was established to hear appeals of NEPOOL Participants Committee actions. A NEPOOL Liaison Committee was also established to facilitate the restructuring of the governance and to enhance the relationship between NEPOOL and the ISO. The overall aim of the new governance structure is to create an organization where each sector has equal weight and equal say.

The 1999 members of the New England Power Pool include (as of December 31, 1999):

ACN Power, Inc.
AllEnergy Marketing Co.
Alternate Power Source, Inc.
American Electric Power Service Corporation
  Appalachian Power Company
  Columbus Southern Power Company
  Indiana Michigan Power Company
  Kentucky Power Company
  Ohio Power Company
Aquila Power Corporation
Ashburnham Municipal Light Department
Avista Energy, Inc.
Bangor Hydro-Electric Company
Belmont Municipal Light Department
Berkshire Power Development
Boston Edison Company
Boylston Municipal Light Department
Braintree Electric Light Department
Cargill-Alliant, LLC
Central Maine Power Company
Chicopee Municipal Lighting Plant
CinCap IV, LLC
CinCap V, LLC
Cinergy Capital & Trading, Inc. (CCT)
  Cincinatti Gas & Electric Company
  PSI Energy, Inc.
Cinergy Services, Inc.

(continued on next page)

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The 1999 members of the New England Power Pool include (as of December 31, 1999):

(continued from previous page)

Citizens Power Sales
Commonwealth Energy Systems
Companies
  Commonwealth Electric Company
  Cambridge Electric Light Company
  Canal Electric Company
Concord Municipal Light Department
ConEdison Solutions
Connecticut Jet Power, LLC
Conn. Municipal Electric Energy Coop.
Connecticut Light and Power
Consolidated Edison Company of New York
Consolidated Edison Development
Consolidated Edison Energyv
Constellation Power Source
Coral Power LLC
Danvers Electric Department
Devon Power LLC
Dighton Power Associates
Duke Energy North America
Duke Energy Trading and Marketing, LLC
DukeSolutions, Inc.
Dynegy Power Marketing, Inc.
Eastern Utilities Associates
  Blackstone Valley Electric Company
  Eastern Edison Company
  Montaup Electric Company
El Paso Merchant Energy, LP
Energy America LLC
Energy Atlantic, LLC (EA)
Energy New England LLC
EnergyEXPRESS
Engage Energy US, LP
ENRON Power Marketing
Entergy Nuclear Generation Company
Entergy Power Marketing Corporation
Fitchburg Gas & Electric Light
Forster Inc.
FPL Energy, Inc.
  ESI NE Energy GP, Inc.
  FPL Energy AVEC LLC
  FPL Energy Maine Hydro LLC
  FPL Energy Maine, Inc.
  FPL Energy Mason LLC
  FPL Energy Power Marketing
  FPL Energy Wyman IV LLC
  FPL Energy Wyman LLC
Gardiner Paperboard
Georgetown Municipal Light
Granite State Energy, Inc.
Great Bay Power Corporation
Griffin Energy Marketing, LLC
Groton Electric Light Department
Hingham Municipal Lighting Plant
Holden Municipal Light Department
Holyoke Gas & Electric Department
Holyoke Water Power
Horizon dba Exelon Energy
HQ Energy Services (US) Inc.
Hudson Light and Power Department
Hull Municipal Lighting Plant
Indeck Maine Energy LLC
Indeck-Pepperell Power Associates
Industrial Energy Consumer Group
Ipswich Municipal Light Department
KOCH Power Services Inc.
Littleton Electric Light and Water
Lowell Cogeneration Company LP
Mansfield Municipal Electric Department
Marblehead Municipal Light Department
Massachusetts Electric Company
Mass. Municipal Wholesale Electric Co.
Merchant Energy Group of the Americas (MEGA)
Middleborough Gas and Electric
Middleton Municipal Electric
Middleton Power LLC
Milford Power Limited Partner
Montville Power LLC
Morgan Stanley Capital Group
North American Energy Conservation
Narragansett Electric Company
NewEnergy Inc.
New England Power
New Hampshire Electric Cooperative
New York Power Authority
Niagara Mohawk Energy Inc.
  Niagara Mohawk Energy Marketing, Inc.
North Attleborough Electric Department
Northeast Energy Services Inc.
Northeast Generation Company
Northeast Utilities System Company
Norwalk Power LLC
Norwood Municipal Light Department
NRG Power Marketing Inc.
Pascoag Fire District-Electric Department
Paxton Municipal Light Department
Peabody Municipal Light Plant
PEC Energy Marketing, Inc.
PECO Energy Company
Penobscot Hydro, LLC
PG & E Energy Services
PG & E Energy Trading-Power, LP
  PG & E Energy Trading, LP
  USGen New England, Inc.
PP&L, Inc.
PP&L EnergyPlus Company
Providence Energy Services
PSEG Energy Technologies Inc.
Public Service Company of New Hampshire
Public Service Electric and Gas
Reading Municipal Light Department
Reliant Energy Services, Inc.
Richard Silkman
Rowley Municipal Lighting Plant
Select Energy Inc.
Sempra Energy Trading Corporation
Shrewsbury Electric Light Plant
Sithe New England Holdings LLC
Somerset Power LLC
South Hadley Electric Light Department
Southern Company Energy Marketing
Southern Energy New England LLC
  Southern Energy Canal LLC
  Southern Energy Kendall LLC
Statoil Energy Trading
Sterling Municipal Electric Light
Strategic Energy LP
StratErgy, Inc.
Taunton Municipal Light Plant
Templeton Municipal Lighting
Tractebel Energy Marketing, Inc.
TransCanada Power Marketing Ltd.
  TransCanada Energy Ltd.
TransEnergie U.S. Ltd.
TXU Energy Trading Companyv UAE
Lowell Power LLC
United Illuminating Company
UNITIL Services Corporation Companies
Concord Electric Company
  Exeter & Hampton Electric Company
  Unitil Resources, Inc.
  Unitil Power Corporation
Utility.com, Inc.
Vermont Electric Power Company
  Burlington Electric Department
  Central Vermont Public Service
  Citizens Utilities Company
  Green Mountain Power Corporation
  Johnson Electric Light Department
  Readsboro Electric Light Department
  Rochester Electric Light & Power
  Vermont Public Power Supply Authority
  Vermont Electric Cooperative
  Vermont Marble Company
  Washington Electric Cooperative, Inc.
Wakefield Municipal Light Deparment
West Boylston Municipal Light
Western Massachusetts Electric Company
Westfield Gas & Electric Light
Williams Energy Marketing & Trading Co.
Wisvest-Connecticut, LLC
Xenergy Inc.

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GOVERNING AGREEMENTS *and* FINANCIAL STATEMENTS
For the years ended December 31, 1999 and 1998

ISO NEW ENGLAND IS GOVERNED BY THE FOLLOWING AGREEMENTS:

- **The Thirty-Third Agreement Amending New England Power Pool Agreement, dated December 31, 1996, and all ensuing amendments up to the 45th Agreement, and including the 47th Agreement, otherwise known as the "Restated NEPOOL Agreement" (RNA).**

  This agreement sets forth membership and governance provisions for the New England Power Pool (NEPOOL), the structure for the NEPOOL markets, arrangements for an independent system operator for the NEPOOL control area, and incorporates the NEPOOL Open Access Transmission Tariff.

- **The NEPOOL Open Access Transmission Tariff ("NOATT") dated December 30, 1996, as amended from time to time through amendments to the Restated NEPOOL Agreement.**

  This tariff is filed in conformance with the requirements of FERC Order No. 888 and establishes open access to "pool" transmission lines within the NEPOOL Control Area. ISO New England administers the Open Access Same-time Information System (OASIS) and this tariff on NEPOOL's behalf.

- **Interim Independent System Operator Agreement, entered into July 1, 1997.**

  This agreement sets forth the responsibilities and authority of ISO New England and the services to be furnished to NEPOOL by the ISO. This includes billing and planning services, the day-to-day management of bulk power generation and transmission systems for the NEPOOL control area, as well as the administration of the transmission and market arrangements under the NOATT and the Restated NEPOOL Agreement.

- **ISO New England's Tariff for Transmission Dispatch and Power Administration Services.**

  Also known as the ISO New England Self-funding Tariff. The Tariff for Transmission Dispatch and Power Administration Services establishes rates payable by NEPOOL Participants and transmission customers that are designed to recover ISO New England's operating expenses. Capital expenses are paid by the New England Power Pool member companies as stated in the RNA. The ISO's 2000 Tariff is in effect for recovery of calendar year 2000 expenses. FERC accepted the 2000 Tariff, and accepted a "settlement version" of the 1999 Tariff.

Following are ISO New England's Financial Statements for calendar years 1999 and 1998. 1999 is the first year in which the Company recovered its operating expense under the Self-Funding Tariff. This is noted on the Statement of Activities under ISO Tariff Revenues. Also note for 1999 the balance of revenues are primarily Participant reimbursements to the ISO for NEPOOL restructuring costs incurred during 1999. The 1998 revenue line items indicate that the Company recovered its transmission related costs through a rate set forth in the NEPOOL tariff and recovered the balance of its actual operating expenses and NEPOOL restructuring expenses through Participant reimbursements.

REPORTS *of* INDEPENDENT ACCOUNTANTS

To the Board of Directors of ISO New England Inc.:

In our opinion, the accompanying statements of financial position and the related statements of activities and of cash flows present fairly, in all material respects, the financial position of ISO New England Inc. (the "Company") at December 31, 1999 and 1998, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

March 9, 2000

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STATEMENTS *of* FINANCIAL POSITION

AS OF DECEMBER 31, (*(In Thousands)*)	**1999**	**1998**
Assets:		
Cash and cash equivalents	$19,663	$17,699
Cash held for Hydro-Quebec *(note 1)*	-	6,691
Total cash and cash equivalents	19,663	24,390
Accounts receivable, net *(note 1)*	4,370	7,627
Prepaid expenses	8	285
Property and equipment, net *(note 3)*	5,846	1,836
Other assets	1,071	486
Cash held for disputes *(note 1)*	23,060	-
Total assets	**$54,018**	**$34,624**
Liabilities and net assets:		
Accounts payable ***(note 1)***		
Settlement, net	-	$6,691
Administration	$4,273	3,033
Deposits payable	868	486
Disputes payable	23,060	-
Weekly billiung advance collections	6,433	12,099
Accrued expenses	1,410	1,252
Working capital advances from NEPOOL Participants *(note 1)*	8,400	7,895
Accrued pension and postretirement benefits *(note 4)*	1,120	1,332
Deferred income *(note 1)*	6,673	1,836
Restructuring costs due to Participants *(note 2)*	1,781	-
Assets:		
Total liabilities	**$54,018**	**$34,624**
Unrestricted net assets	-	-
Total liabilities and net assets	**$54,018**	**$34,624**

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STATEMENTS *of* FINANCIAL POSITION

AS OF DECEMBER 31, (*(In Thousands)*)	**1999**	**1998**
Changes in unrestricted net assets:		
Revenues *(note 1)*		
ISO tariff revenues	$32,453	-
Participant reimbursements	11,311	$36,950
Regional network service tariff fees	-	7,897
Interest income	1,271	910
Fees and services	571	665
Total unrestricted revenues	**45,606**	46,422
Expenses:		
General and Administrative:		
Salaries and benefits	19,099	16,499
Professional and consultants	5,999	3,359
Rents and leases	2,801	2,575
Computer services	1,335	1,215
Other	5,061	4,037
Total general and administrative	34,295	27,685
NEPOOL restructuring	11,311	18,737
Total expenses	**45,606**	**46,422**
Change in unrestricted assets	-	-
Unrestricted net assets, beginning of year	-	-
Unrestricted net assets, end of year	**$ -**	**$ -**

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STATEMENTS *of* CASH FLOWS

AS OF DECEMBER 31, (*(In Thousands)*)	**1999**	**1998**
Cash flows from operating activities:		
Increase in unrestricted net assets	--	--
Adjustments to reconcile changes in unrestricted net assets to net cash provided by operating activities:		
Depreciation and amortization	$981	$237
Decrease (Increase) in accounts receivable	3,257	(1104)
(Increase) in other assets	(23,645)	(22)
(Increase)/Decrease in prepaid expense	277	(10)
Increase/(Decrease) in accounts payable		
Settlement	(6,691)	(3,522)
Administration	1,240	(1,494)
Weekly billing	(5,666)	12,099
Increase/(Decrease) in accrued pension and postretirement benefits	(212)	846
Increase in accrued expenses	1,939	719
Increase in deposite payable	382	22
Increase in disputes payable	23,060	--
Increase in deferred revenue	4,837	1,836
Net cash provided by (used in) operating activities	(241)	9,607
Cash flows from investing activities:		
Capital expenditures	(4,991)	(1,788)
Net cash used in investing activities	(4,991)	(1,788)
Cash flows from financing activities:		
Increase in working capital advance from NEPOOL Participants	505	2,440
Net cash provided by financing activities	505	2,440
Net increase/(decrease) in cash and cash equivalents	(4,727)	10,259
Cash and cash equivalents, beginning of year	24,390	14,131
Cash and cash equivalents, end of year	$19,663	$24,390
Supplemental data: Cash paid during the year for interest:	$0	$6

NOTES *to* FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Description of Business

ISO New England Inc. (the "Company" or "ISO") commenced operations on July 1, 1997 as the New England electric transmission independent system operator for the New England Power Pool ("NEPOOL") in compliance with the requirements of the Federal Energy Regulatory Commission ("FERC"). On May 1, 1999 the competitive marketplace opened in the ISO New England control area. The Company now administers NEPOOL's open-access transmission tariff, administers a power exchange, and ensures the reliable supply and transmission of electricity for the control area. The Company operates as an organization described in Section 501(c)(4) of the Internal Revenue Code and is exempt from tax pursuant to Section 501 (a) of the Internal Revenue Code. In connection with the organization of the Company, certain liabilities such as employee pension and employee postretirement health and welfare liabilities (Note 4) were assumed by the Company from NEPOOL. These financial statements have been prepared pursuant to this treatment.

Cash Equivalents

The Company considers cash on hand and short-term marketable securities with original maturities of three months or less to be cash equivalents. The cash equivalents at December 31, 1999 and 1998 are held in overnight repurchase agreements and also in direct and indirect obligations of the United States.

Restricted balances at any point in time consist of dollars held in security until settlement of Participants' accounts. At December 31, 1998 $6,700,000 was held in security for payment to Hydro-Quebec. Additionally, Participants that have filed a formal billing dispute under the NEPOOL Billing Policy have paid the disputed amount of their invoice into an escrow account, which cannot be distributed until the dispute is resolved. The disputes relate to market settlements and are being resolved by the ISO or have been referred to the NEPOOL Participants Committee for resolution. The amount of funds held in dispute was $23,060,000, including interest at December 31, 1999. There was no cash held in dispute at December 31, 1998.

Accounts Receivable and Accounts Payable

In the course of bulk power transactions administered by the Company on behalf of the NEPOOL Participants, amounts for energy purchased and sold among Participants become payable to and receivable from such Participants. The Company summarizes and prices the energy transactions each month and provides an invoice or remittance advice to each Participant that summarizes the amount either payable to or receivable from each Participant.

Included in the invoice or remittance advice is each Participant's share of Company expenses, which is netted into the payable or receivable amount for each Participant. Accounts payable on the balance sheet are segregated between the amounts owed, for which the ISO functions as paying agent, for energy transactions and the amounts incurred by the Company in the course of operations.

The net receivables at the end of each month include those amounts which will be billed and included in the invoice or remittance advice to Participants in the subsequent month. The net payables and receivables for energy transactions are settled with the Participants in the subsequent month.

Accounts Receivable and Accounts Payable are reflected net of NEPOOL Settlement amounts, which were zero at December 31, 1999 and $6,390,000 at December 31, 1998.

Certain Participants that do not meet the credit ratings criteria of the Financial Assurance Policy, which was implemented in 1998, and have not provided an alternate form of financial assurance, must prepay an estimate of their monthly bill on a weekly basis.

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Property and Equipment

The Interim Independent System Operator Agreement between the Company and NEPOOL states that any fixed assets acquired or developed by the Company shall be the property of the NEPOOL Participants. In FERC's conditional approval of the Company there was a requirement that the Company, not NEPOOL, fund all the Company's capital expenditures. The Company is presently negotiating an amendment to this agreement with NEPOOL to comply with this and other conditions or requirements promulgated by FERC. The Company has elected to capitalize additions in excess of $1,000 or whose useful life is greater than one year. Property and equipment is stated at cost, net of accumulated depreciation.

Depreciation

Depreciation is generally computed using straight-line methods over an estimated useful life ranging from one year to ten years.

Income Taxes

Income taxes are not provided by the Company because it is operating as a corporation described in Section 501(c)(4) of the Internal Revenue Code, exempt under Section 501(a) of the Internal Revenue Code, and has no unrelated business tax.

Working Capital Advances

The Company bills and collects its estimated working capital needs based upon a rolling three month average of the charges under the ISO Tariff, and trues up this amount on a monthly basis.

Fair Values of Financial Instruments

The carrying amounts reported in the statement of financial position for current assets and liabilities approximate their fair values.

Use of Estimates

Generally accepted accounting principles require management to make estimates and assumptions that affect assets and liabilities, contingent assets and liabilities, and revenues and expenses. Actual results could differ from those estimates.

Liquidity Information

In order to provide information about liquidity, assets have been sequenced according to their nearness to conversion to cash, and liabilities have been sequenced according to the nearness of their resulting use of cash.

Reclassification

The financial statements of the prior year have been reclassified to conform with the current year's basis of presentation.

New Accounting Standards

Accounting in Accordance with Statement of Position 98-1:

In 1998 the American Institute of Certified Public Accountants issued Statement of Position (SOP) 98-1, Accounting for the Costs of Computer Service Software Developed or Obtained for Internal Use. SOP 98-1 is effective for financial statements for fiscal years beginning after December 15, 1998. Specifically, it requires that all costs associated with the application development stage of internal-use computer software be capitalized. Prior to 1999, all costs of internal staff software development efforts were expensed. For 1999, implementation of SOP 98-1 resulted in capitalization of $1,600,000 of staff salaries and overheads, which will be amortized over 5 years. In addition, $153,000 was charged to ISO restructuring expenses (See Note 2, Commitments and Contingencies, Funding Arrangements) for development of the market system as agreed upon with NEPOOL in May 1999.

Revenue Recognition

Beginning in 1999, the Company recovered its operating costs pursuant to the 1999 Tariff for Transmission Dispatch and Power Administration Services (ISO Tariff). The tariff provides for recovery of expenses through three schedules. Scheduling, System Control and Dispatch Service (Schedule 1) and Energy Administration Service (Schedule 2) recover related operating costs through a pre-approved rate applied to each month's activity. Reliability Administration Service (Schedule 3) recovers actual operating costs through an allocation to Participants. Schedules 1 and 2 are subject to true-up through subsequent year's rates. The tariff may be redesigned for future years. Prior to 1999, the Company recovered its Schedule 1 costs through a rate as set forth in the NEPOOL tariff and recovered the balance of its actual expenses through an allocation to Participants.

Deferred Income

Deferred income offsets the net fixed assets of the Company that were purchased and placed in service in 1997 and 1998, and the amount of the ISO Tariff for Schedules 1, 2, and 3 that was over collected in 1999. The fixed asset liability is being amortized into income over the life of the assets at the rate depreciation is recognized. The over collection amount of the ISO Tariff will be returned to the Participants through the mechanism provided for within the ISO Tariff.

2. COMMITMENTS AND CONTINGENCIES:

Funding Arrangements

The Company has incurred major expenses on behalf of NEPOOL relating to the development of NEPOOL's wholesale electric market for New England and the formation of the Company (implementation costs). Additional costs were incurred by NEPOOL itself. Total Company and NEPOOL costs amounted to approximately $11,300,000 and $20,100,000 for fiscal years 1999 and 1998, respectively, and were charged to current Participants of NEPOOL. The Company costs incurred are included in ISO restructuring expenses and were $11,300,000 and $18,700,000 in 1999 and 1998, respectively. The final project costs were $50,567,000, exclusive of interest.

In accordance with the fortieth amendment to the NEPOOL Agreement, ISO New England has begun repayment of these costs by the current NEPOOL membership to the members that originally funded the expenses. The repayment is to be made over a five-year period to the funding Participants at an interest rate of 8% per annum, beginning with the Second Effective date May 1, 1999 (the start of the wholesale electric

markets in New England). The source of repayment for the balance of 1999 was a monthly charge to NEPOOL Participants based on their pro-rata share of ISO Schedule 2 costs which will expire April 2000. A future repayment method has not been determined.

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ISO Tariff Design

The Company is currently represented in a proceeding before the Federal Energy Regulatory Commission involving the Company's 2000 Tariff for Transmission Dispatch and Power Administration Services (the "ISO Tariff"), which is pending in FERC Docket No. ER00-395-000. The ISO Tariff's rates are the means by which the Company collects its administrative costs beginning January 1, 2000. By order issued December 30, 1999 (the "Order"), the FERC accepted the ISO Tariff's rates for filing, rejected the ISO Tariff rate design and ordered the Company to reinstate the rate design used in the 1999 ISO Tariff. The 1999 ISO Tariff was the product of settlement negotiations, and was accepted by the FERC on December 20, 1999. The Company made a compliance filing with FERC on January 31, 2000 reflecting the revisions required by the Order. One party has protested the compliance filing. The FERC has not yet acted on the compliance filing. In addition, several parties have requested rehearing of the Order by the FERC, arguing that the use of the 1999 rate design is improper. These rehearing requests address the allocation of the Company's costs among its customers, rather than the total amount the Company will recover under the ISO Tariff. The FERC has not yet ruled on the rehearing requests, and has issued a notice that it has extended the time in which it may make a decision.

Legal Proceedings

The Company is party to various legal actions incident to its business; however, management believes that no material awards against the Company will result from such proceedings.

3. PROPERTY AND EQUIPMENT

Property and equipment at December 31 consists of the following:	1999	1998
Computer hardware, software and accessories	$4,599,000	$1,980,000
Software development costs	1,593,000	0
Furniture and fixtures	118,000	55,000
Leasehold improvements	778,000	62,000
	7,088,000	2,097,000
Less: accumulated depreciation and amortization	(1,242,000)	(261,000)
	$5,846,000	1,836,000

---

4. PENSION AND OTHER EMPLOYEE BENEFITS:

The Company sponsors defined benefit pension and postretirement plans which cover substantially all union and non-union employees and provide retirement income, medical, dental and life insurance benefits.

The Company sponsors two defined benefit pension plans which are funded solely by Company contributions. Benefits are determined based on years of service and average compensation.

The Company sponsors two defined benefit postretirement plans which provide medical, dental and life insurance benefits for union and non-union eligible employees and their beneficiaries. The medical benefits are contributory with participants' contributions adjusted annually and participants are responsible for deductible and coinsurance amounts. Dental benefits are non-contributory but participants are responsible for deductible and coinsurance amounts. The life insurance benefits are non-contributory. The Company's future liability for medical benefits is limited to 200% of 1993 costs and as a result the impact of a one-percentage-point change in assumed health care cost trend is immaterial.

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	Pension Benefits Years ended December 31,		*Other Postretirement Benefits Years ended December 31,*	
	1999	1998	1999	1998
Change in benefit obligation				
Benefit obligation at beginning of year	$17,175,000	$13,253,000	$1,618,000	$1,281,000
Service cost	1,033,000	722,000	172,000	123,000
Interest cost	1,176,000	1,015,000	107,000	92,000
Plan participants' contribution	-	-	-	-
Benefits paid	(145,000)	(143,000)	-	-
Amendments	-	-	-	-
Actuarial (gain) loss	(2,853,000)	2,328,000	(377,000)	122,000
Benefit obligation at end of year	16,386,000	17,175,000	1,520,000	1,618,000
Change in plan assets:				
Fair value of plan assets at beginning of year	11,614,000	10,079,000	-	-
Actual return on plan assets	2,504,000	1,317,000	-	-
Employer contributions	1,822,000	362,000	-	-
Plan participants' contributions	-	-	-	-
Benefits paid	(145,000)	(143,000)	-	-
Fair value of plan assets at end of year	15,795,000	11,615,000	-	-
Funded status	(591,000)	(5,560,000)	(1,520,000)	(1,618,000)
Unrecognized transition obligation	1,812,000	1,937,000	976,000	1,032,000
Unrecognized net actuarial (gain) loss	(1,607,000)	2,686,000	(187,000)	191,000
Accrued benefit cost	($386,000)	($937,000)	($731,000)	($395,000)
Amounts recognized in the statement of financial position consists of:				
Prepaid benefit cost	-	-	-	-
Accrued benefit liability	($386,000)	($937,000)	($731,000)	($395,000)
Intangible asset	-	-	-	-
Accumulated other comprehensive income	-	-	-	-
Net amount recognized	($386,000)	($937,000)	($731,000)	($395,000)
Weighted-average assumptions:				
Discount rate	7.75%	6.75%	7.75%	6.75%
Expected return on plan assets	9.25%	9.25%	n/a	n/a
Rate of compensation increase	4.50%	4.50%	4.50%	4,50%

For measurement purposes, the assumed increase in per capita cost of medical and dental benefits is as

follows:
*For medical benefits before age 65, 5.88% for 1000 grading down to 4.75% at 2001 and level thereafter.
*For medical benefits after age 65, 5.38% for 1999 grading down to 4.75% at 2001 and level thereafter.
*For dental benefits at all ages, 4.88% for 1999 grading down to 3.75% at 2001 and level thereafter.

Components of net periodic benefit cost:				
Service cost	$1,033,000	$722,000	$172,000	$123,000
Interest costs	1,176,000	1,015,000	108,000	92,000
Expected return on plan assets	(1,150,000)	(935,000)	-	-
Amortization of transition obligation	125,000	125,000	56,000	56,000
Amortization of net actuarial loss	87,000	10,000	-	-
Net periodic benefit cost	$1,271,000	$937,000	$336,000	$271,000

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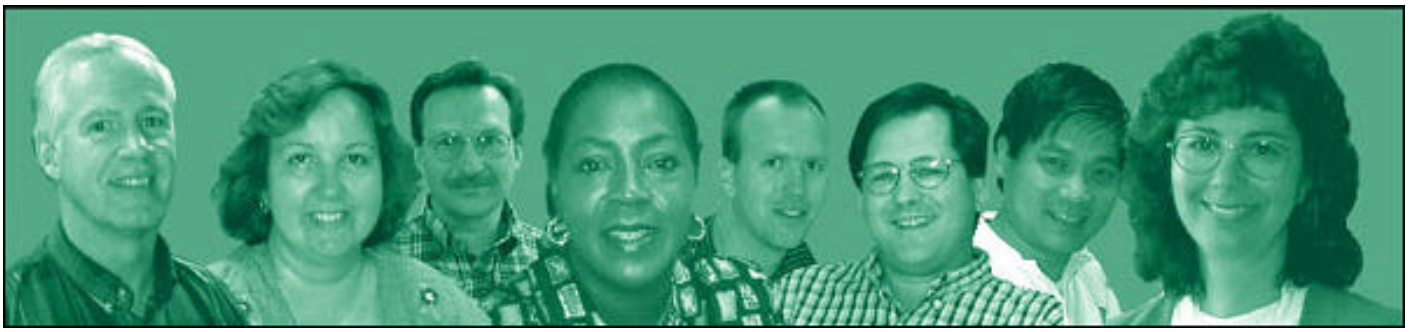

5. EMPLOYEE RETIREMENT ANNUITY PAYMENTS:

Under a Separation Agreement entered into between Northeast Utilities Service Company ("NUSCO") and the Company, the Company agreed to honor a postretirement annuity contract entered into with a former key employee. The Company recognizes expense as payments are made which amounted to $50,000 in both 1999 and 1998.

6. 401(k) SAVINGS PLAN:

The Company has a 401(k) Retirement and Savings Plan open to substantially all employees. This savings plan provides for employee contributions up to specified limits. The Company matches employee contributions up to 3 percent of eligible compensation. The matching contributions for the Company were $317,000 and $250,000 for 1999 and 1998, respectively.

7. LEASES

The following is a schedule by year of future minimum rental payments for all leases with terms greater than one year:

2000	$1,728,000
2001	1,788,000
2002	1,109,000
2003	447,000
2004	453,000
Later years	114,000
Total minimum lease payments	$5,639,000

The Company leases under a sublease from NEPOOL one of its buildings and various furniture and equipment with terms of up to 15 years and renewable options for additional periods. The sublease terminates on the earlier of the termination of the Interim ISO Agreement (5 years), termination of the NEPOOL Agreement, or the terms and conditions contained in the underlying master lease. Additionally, the Company leases two other buildings, one with an initial term of two years with an automatic month to month renewal option, and the other with an initial term of five years with a renewal option for an additional period. The Company follows the provisions of Statement of Financial Accounting Standards No. 13, Accounting for Leases, in determining the criteria for capital leases. Leases that do not meet such criteria are classified as operating leases, and related rentals are charged to expense in the year incurred. For fiscal years 1999 and 1998, minimum rental payments for operating leases were $1,408,000 and $1,342,000 respectively.

As part of a separation agreement with NUSCO, the Company has agreed to reimburse NUSCO for all charges related to providing service to NEPOOL. This includes charges for leased equipment used at the Control Center. These leases covered approximately $5,600,000 and $6,700,000 in assets in 1999 and 1998 respectively. The average monthly payment was approximately $92,000 and $94,000 for the years 1999 and 1998, respectively.

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ISO NEW ENGLAND'S *corporate officers*

LEADERSHIP *by* DESIGN

		Employment start date:
PHILIP J. PELLEGRINO	*President and Chief Executive Officer*	December 14, 1998
JAMSHID A. AFNAN	*Vice President, Chief Information Officer*	September 22, 1980*
KATHLEEN A. CARRIGAN	*Vice President, General Counsel and Corporate Secretary*	January 3, 2000
DAVID LAPLANTE	*Vice President, Markets Development*	August 6, 1982*
ROBERT C. LUDLOW	*Vice President, Chief Financial Officer*	February 18, 1997*
STEPHEN G. WHITLEY	*Vice President, System Operations*	March 6, 2000
LINDA J. SWANSON	*Assistant Corporate Secretary*	January 27, 1997*
CYNTHIA H. HARRIS	*Assistant Corporate Secretary*	September 8, 1997

*NEPOOL

ISO New England Operations Center

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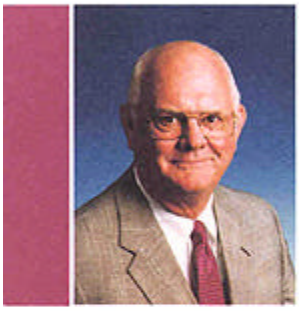
BOARD *of* DIRECTORS

Leadership through Insight

Leadership through insight is the credo of ISO New England's Board of Directors, a group of individuals whose collective expertise gives the ISO unparalleled guidance and direction through the electricity industry's restructuring process. With backgrounds including utilities, finance, regulation, and academia, the Board lends the right timbre of objectivity, insight and advice to ensure the ISO is addressing issues of timely importance.



William W. Berry
CHAIRMAN

Retired Chairman of the Board

DOMINION RESOURCES & VIRGINIA POWER

Vincent M. O'Reilly
VICE CHAIRMAN

Retired Executive Vice Chairman and Chief Operating Officer

COOPERS & LYBRAND L.L.P.

Alger B. Chapman

Vice Chairman

ABN AMRO CHICAGO CORPORATION

Donald L. Isaacs

Former Vice Chairman and Corporate Director

BAYBANKS, INC.

John G. Kassakian

Professor and Director, Laboratory for Electromagnetic and Electronic Systems

MASSACHUSETTS INSTITUTE OF TECHNOLOGY

Alvin K. Klevorick

John Thomas Smith Professor of Law and Professor of Economics

YALE UNIVERSITY

Kenneth R. Leibler

Former President and Chief Executive Officer

LIBERTY FINANCIAL COMPANIES, INC.

Philip J. Pellegrino

President and Chief Executive Officer

ISO NEW ENGLAND INC.

Mary Sharpe Hayes

Vice President, Strategic Planning

POTOMAC ELECTRIC POWER COMPANY

Charles G. Stalon

Consultant on energy regulation, former Commissioner

FEDERAL ENERGY REGULATORY COMMISSION

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ADVISORY COMMITTEE *to the* BOARD
Leadership through Practice

The Advisory Committee to the Board of Directors is a provision of the Interim ISO Agreement with NEPOOL to give stakeholders a voice in the restructuring of the electricity industry in New England. The members come from the six New England states and represent the regulatory community, private enterprise, public advocacy and academia.

The current Advisory Committee to the Board:

Peter A. Bradford
TERM EXPIRES: 12/31/00
Former Chairman, New York State Public Service Commission and Maine Public Utilities Commission. Now advises and teaches on utility regulation, restructuring and energy policy.

Nancy Brockway
TERM EXPIRES: 12/31/01
Commissioner, New Hampshire Public Utilities Commission

Richard H. Cowart
TERM EXPIRES: 12/31/00
Former Chairman, Vermont Public Service Board. Principal & Director, Regulatory Assistance Project

Bruce B. Ellsworth, CHAIRMAN*
TERM EXPIRES: 12/31/01
Consultant on energy issues. Former Commissioner, New Hampshire Public Utilities Commission

James H. Gatling
TERM EXPIRES: 12/31/00
President and Chief Executive Officer, New Opportunities for Waterbury, CT Inc.

Patrick Hyland
TERM EXPIRES: 12/31/00
Executive Director, Northeast Public Power Association

W. Robert Keating
TERM EXPIRES: 12/31/01
Commissioner, Commonwealth of Massachusetts, Department of Telecommunications and Energy

Robert G. Lang
TERM EXPIRES: 12/31/00
Director, Energy Programs, IBM Microelectronics, Essex Junction, Vermont

Henry Lee
TERM EXPIRES: 12/31/01
Holds three positions at the John F. Kennedy School of Government: Jaidah Family Director of Environmental and Natural Resources Program; Senior Research Fellow in the Center for Business and Government; Lecturer in Public Policy.

Paul E. Lemont
TERM EXPIRES: 12/31/00
City Manager, City of East Providence, Rhode Island

James J. Malachowski*
TERM EXPIRES: 12/31/00
Senior Account Executive, RDW Group, Inc.; Former Chairman, Rhode Island Public Utilities Commission

James P. Monahan
TERM EXPIRES: 12/31/01
Associate, The Dupont Group, Concord, New Hampshire

Carolyn O'Connor
TERM EXPIRES: 12/31/00
Vice President, Policy Development, New England Council

David O'Connor, VICE CHAIRMAN*
TERM EXPIRES: 12/31/00
Director, Commonwealth of Massachusetts Division of Energy Resources

Henri S. Rauschenbach
TERM EXPIRES: 12/31/00
State Senator, Commonwealth of Massachusetts, Cape and Islands District

Robert R. Ruddock
TERM EXPIRES: 12/31/00
Executive Vice President, Associated Industries of Massachusetts

Richard P. Sedano
TERM EXPIRES: 12/31/01
Commissioner, Vermont Department of Public Service

Daniel J. Smith
TERM EXPIRES: 12/31/01
Practicing law as a sole practitioner in Montpelier, VT and owns Solid-Built Construction, a carpentry and residential home construction business. Former Executive Director, Northeast Dairy Compact Commission.

Susan F. Tierney
TERM EXPIRES: 12/31/01
Consultant, Lexcon Inc., an operating unit of Nextera Enterprises, Inc. Served as Assistant Secretary for Policy in the U.S. Department of Energy.

Stephen G.
TERM EXPIRES: 12/31/01
Public Advocate, State of Maine

**James Malachowski serves as Chairman and Bruce Ellsworth served as Vice Chairman through November, 1999. Bruce Ellsworth then assumed Chairmanship and David O'Connor was named Vice Chairman.*

ISO NEW ENGLAND
YEAR 2000 CORPORATE GOALS

Focus Area: RELIABLE OPERATIONS *through* EFFECTIVE MARKETS

1. Comply with reliability standards & criteria:

- Control Performance Standards No. 2 within 92 - 97%
- Disturbance Control Standard 100% compliance
- OP - 19 100% compliance

2. Reduce cost of energy and Low Operating Limit (LOL) uplift by 20% while maintaining reliability

3. Improve correlation of Scheduling, Pricing, and Dispatch and actual dispatch:

- Benchmark price v. actual dispatch, identify needed changes to rules, software, training, etc. by end of 1st quarter
- Develop implementation schedules by end of 1st quarter
- Implement electronic dispatch
  - Infrastructure in place and signal available by end of 3rd quarter
  - New desired dispatch point operational by end of 4th quarter

4. Seek price administration authority in the Energy market that limits changes to mistakes or system emergencies, and post and correct all mistakes

5. Implement a market-based system for operating reserves (e.g., Cramton "Smart Buyer" model) (consult with and seek consensus among NEPOOL Participants as appropriate) by end of 3rd quarter

6. Apply established reliability criteria to all stages of construction for integration of new facilities and work with NEPOOL, the Satellites, and the Transmission Owners to minimize congestion uplift

7. Establish inter-ISO planning and operations processes incorporating broad stakeholder input by end of 2nd quarter

8. Additional targets

- Provide additional reporting by mid year:
  - Issue monthly Market Monitoring report within 1 month
  - Issue quarterly Market Monitoring report within 6 weeks
  - Accuracy of load and price forecasts by 15th of month
  - Uplift data by 15th of month
- Complete feasibility study of increasing inter-ISO tie line capacity incorporating broad stakeholder input by end of 4th quarter
- Conduct a gas study to identify electric system reliability issues related to generation additions by end of 3rd quarter
- Complete a fully-integrated IT test of present Backup Control Center by end of 3rd quarter
- Hold at least two executive positions on key industry groups (NERC/NAERO, NPCC, inter-ISO, EPRI)

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ISO NEW ENGLAND
YEAR 2000 CORPORATE GOALS

Focus Area: ADAPTING *to* CHANGE

1. Chair NEPOOL technical committees to consultatively develop new rules that:

- Develop a market-based approach to emergency purchases during OP-4 by end of 2nd quarter
- Establish a curtailable load program by end of 2nd quarter
- Identify nature of service and develop compensation for units at LOL by end of 3rd quarter
- Identify Market Rules and systems that need to change to promote seamless markets by end of 3rd quarter

Note: The ISO Board may revise these goals after discussion with and input from the Liaison Committee.

2. Implement Congestion Management and Multi-Settlement Systems

- File with FERC by end of 1st quarter
- Establish a schedule by end of 2nd quarter
- Meet all schedule and fiscal milestones

3. Hold two meetings and provide staff support to vet a straw proposal advocating an RTO in the form of an ISO plus Gridco. Work closely with Transmission Owners and facilitate broad stakeholder collaboration

4. Create a generation information system in support of compliance with State regulatory requirements

- Assess feasibility by end of 3rd quarter

5. Reach agreement with NEPOOL and execute Reformed ISO Agreement by end of 1st quarter

6. Additional targets

- Survey committees to determine if technical committee chairs meet expectations
- Hold Liaison Committee meetings twice annually to assure committee reorganization effectiveness and to address ISO/NEPOOL business issues
- Develop and implement a plan for web-based information sharing between ISOs by end of 2nd quarter

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ISO NEW ENGLAND
YEAR 2000 CORPORATE GOALS

Focus Area: ORGANIZATIONAL EXCELLENCE

1. Operate within approved budget of $71.9 million. No transfers between budgets without prior approval.

2. Improve Customer Satisfaction Survey Rating by 10%

3. Meet NERC/NAERO and NPCC planning criteria (Phase I & II, Triennial review)

4. Receive unqualified opinions on all audits

5. Settlements and Billing

- Complete initial settlements on schedule
  - Daily at a minimum of 84%
  - Monthly at a minimum of 84%

- Limit ISO billing errors as a percent of total billings not to exceed 3%
- Complete bills and transfers on schedule 100% of the time
  - Enhance bill format by end of 2nd quarter
  - Provide additional bill reconciliation training by end of 3rd quarter

6. Develop a revolving line of credit of $15 million

7. Business Planning

- Develop a Preliminary 2001 Business Plan and seek NEPOOL input by end of 3rd quarter
- Develop a Final Business Plan for 2001 by end of 4th quarter

8. Additional targets

- Computer system reliability standards met for:
  - All online systems of 99.9%
  - Scheduling, Pricing, and Dispatch of 99.5%
- At least 9,000 error-free lines of code per post-implementation software correction (bug) due to deviation from specification
- Customer requests for new products and services considered within 45 days
- Call tracking system Response Time Goals Met 80% of the time
- Provide 1,000 customer-days of training
- Survey satisfaction of Advisory Committee and New England Conference of Public Utility Commissioners by end of 4th quarter
- Publish appropriate business processes on the web-first process by end of 1st quarter

ISO NEW ENGLAND
YEAR 2000 CORPORATE GOALS

Focus Area: EMPLOYEE DEVELOPMENT *and* STAFFING LEVELS

1. Vacancy rate at year end not to exceed 3% of total workforce

2. Occupy additional leased space by end of 2nd quarter

3. Leadership development (50% of leadership team completing leadership training)

4. Succession Planning (75% of management positions having identified replacements)

5. Complete detailed staffing analysis for coming year by end of 3rd quarter

6. Additional targets

- Staff training hours (internal and external, average 32 hours per person)
- Turnover not to exceed 5% of total workforce
- Time to fill a position not to exceed 80 day average
- Employee orientation program
  - Develop by end of 1st quarter
  - 100% of new hires trained
  - 25% of existing staff trained
- Establish employee of the quarter / year program by end of 2nd quarter
- Reestablish employee newsletter by end of 2nd quarter

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