

January 10, 2014

Kathryn J. Jackson, Board Chair
Gordon van Welie, President and Chief Executive Officer
ISO New England
One Sullivan Road
Holyoke, MA 01040

Dear Ms. Jackson and Mr. van Welie,

As a diverse group of NEPOOL members and other stakeholders, we are writing to encourage ISO-NE not to file its "Performance Incentives" proposal with FERC. As you are keenly aware, the proposal has little support among regional stakeholders and its filing and subsequent litigation would be an enormous expenditure of resources for all involved. While we recognize the amount of effort ISO-NE and stakeholders have invested in this effort, we believe it is time for the ISO-NE and NEPOOL stakeholders to take a reflective step back and recognize that further investment in protracted litigation would not advance the ball, and will further erode your ability to fulfill ISO-NE's core mission.

Specifically, in lieu of pursuing Performance Incentives and the NEPOOL Alternative at the FERC, we propose that ISO-NE and stakeholders use the time and resources to address a number of critical concerns, some long-standing and some more evident in recent litigation, relating to the efficiency and functionality of our wholesale electric markets. To the extent ISO-NE wants to improve upon the performance and obligation components of FCM this year in order to meet the stated objectives of its Performance Incentives proposal, we can work together with all NEPOOL stakeholders to create changes that are more broadly supported in the region, taking into account what FERC has already approved in other regions and stakeholder feedback to date. The ISO-NE still retains the ability to propose rules at any time to address capacity supplier performance. In its final form, there is significant doubt as to whether "Performance Incentives" can ever accomplish the goals set out by ISO-NE.

As evidenced by recent litigation before the FERC over the Eighth FCA, discussions emanating from last fall's FERC Technical Conference on Centralized Capacity Markets, and the roll-out by ISO-NE of a sloped demand curve proposal at the NEPOOL Markets Committee this month, this is an optimal time for ISO-NE to undertake a meaningful effort, along with stakeholders, to review and, as appropriate, implement any and all changes necessary to address capacity market pricing for future auctions. The chances of achieving that goal and building consensus would be materially improved without the distraction and drain of resources associated with litigating PI and the NEPOOL Alternative. In addition, real reforms in energy and ancillary markets can provide better incentives for resources to continue to participate in these markets and respond to ISO-NE's reliability needs. Effort that would be needed in pursuing Performance Incentives is far better spent identifying and designing future changes to address appropriate price formation in all of our wholesale electric markets.

Respectfully,

<p><u>/s/ William Bottiggi</u> General Manager Town of Braintree Electric Light Department</p>	<p><u>/s/ Vincent Francoeur</u> Brookfield Energy Marketing, LP Chief Operating Officer</p>
<p><u>/s/ David Wood</u> Director Concord Municipal Light Plant</p>	<p><u>/s/ Brian Forshaw</u> Brian Forshaw Chief Regulatory and Risk Officer Connecticut Municipal Electric Energy Cooperative</p>
<p><u>/s/ Brian W. Reinhart</u> Director of Operations Cross-Sound Cable Company</p>	<p><u>/s/ Elin Swanson Katz</u> Elin Swanson Katz, Esq. Joseph Rosenthal, Esq. Connecticut Office of Consumer Counsel</p>
<p><u>/s/ Arthur H. House</u> Chairman The State of Connecticut Public Utilities Regulatory Authority</p>	<p><u>/s/ Steve Rogers</u> Steve Rogers SVP Financial Management Dominion Generation Group Dominion Resources Services, Inc.</p>
<p><u>/s/ Robert C. Flexon</u> President and Chief Executive Officer Dynegy Inc.</p>	<p><u>/s/ Dennis J. Duffy</u> Vice President Energy Management, Inc.</p>
<p><u>/s/ John Tzimirangas</u> President/CEO Energy New England LLC</p>	<p><u>/s/ William M. Mohl</u> President Entergy Wholesale Commodities Business</p>
<p><u>/s/ Thomas Rainwater</u> President and Chief Executive Office Essential Power, LLC</p>	<p><u>/s/ David Schofield</u> General Manager Georgetown Municipal Light Department</p>
<p><u>/s/ Michael Cloutier</u> Manager Groveland Municipal Light Department</p>	<p><u>/s/ Paul Heanue</u> General Manager Hingham Municipal Lighting Plant</p>
<p><u>/s/ Bill Killgoar</u> Manager of Market Policy NE Long Island Power Authority</p>	<p><u>/s/ Scott Edwards</u> Asst. General Manager Littleton Light and Water Department</p>
<p><u>/s/ John F. Breen</u> Vice President Millennium Power Partners, L.P.</p>	<p><u>/s/ Jesse S. Reyes</u> Chief, Office of Ratepayer Advocacy Office of Attorney General Martha Coakley</p>

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<p><u>/s/ Francisco Frias</u> General Manager Merrimac Municipal Light Plant</p>	<p><u>/s/ Gary Will</u> Massachusetts Municipal Wholesale Electric Company</p>
<p><u>/s/ Stephen E. Kaminski</u> VP, Power Resources and Access New Hampshire Electric Cooperative, Inc.</p>	<p><u>/s/ Susan W. Chamberlin</u> Consumer Advocate NH Office of the Consumer Advocate</p>
<p><u>/s/ Lee Davis</u> EVP & President, East Region NRG Energy, Inc.</p>	<p><u>/s/ Michael R. Kirkwood</u> Pascoag Utility District General Manager/CEO</p>
<p><u>/s/ Shahid Malik</u> President, PSEG Energy Resources & Trade LLC</p>	<p><u>/s/ Timothy R. Schneider</u> Public Advocate State of Maine Public Advocate Office</p>
<p><u>/s/ Michael Horriqan</u> General Manager Taunton Municipal Lighting Plant</p>	<p><u>/s/ Richard Peters</u> Vice President The United Illuminating Company</p>
<p><u>/s/ Joseph Wadsworth</u> Vitol Inc.</p>	<p><u>/s/ Craig Kieny</u> Vermont Electric Cooperative, Inc.</p>
<p><u>/s/ Michael J. Wickenden</u> Director of Regulatory Affairs Vermont Energy Investment Corporation</p>	<p><u>/s/ Richard Joyce</u> Director Wellesley Municipal Light Plant</p>
<p><u>/s/ George Adair</u> Director of Public Utilities The Town of Wallingford CT Public Utilities Electric Division</p>	