

***ISO New England Inc. Transmission, Markets and Services Tariff***

***ISO New England***

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**SCHEDULE 20A – NEP**

**NEW ENGLAND POWER COMPANY  
PHASE I/II HVDC-TF SERVICE SCHEDULE**

**PHASE I/II HVDC-TF SERVICE**

New England Power Company (NEP) holds certain Use Rights and obligations associated with its entitlement to the Phase I/II HVDC-TF, including all Use Rights and obligations associated with the former Montaup Electric Company's entitlement<sup>1</sup> (NEP's Use Rights). Under the Restated Use Agreement, NEP's Use Rights may be offered to Transmission Customers. This Service Schedule applies to all transactions that utilize NEP's Use Rights. Transmission Customers may obtain Phase I/II HVDC-TF Service by reserving all or a portion of NEP's Use Rights as defined through the Restated Use Agreement, Schedule 20A, and this Service Schedule. Transmission Customers shall schedule Phase I/II HVDC-TF Service reservations consistent with the Tariff, Schedule 20A, and this Service Schedule.

In addition to the other applicable charges specified in the Tariff, a Transmission Customer that utilizes NEP's Use Rights shall pay the Phase I/II HVDC-TF Service Charge as set forth in Sections A and B of this Service Schedule. Charges shall be revised each year to reflect the costs recorded in NEP's most recently filed FERC Form 1 and the 12-month average of the maximum of NEP's Use Rights as determined by NEP based on the TTC data for the Phase I/II HVDC-TF provided by the ISO. The Transmission Customer shall be billed monthly in accordance with Schedule 20A and this Service Schedule. Billing determinants are the Transmission Customer's Reserved Capacity of NEP's Use Rights and the applicable Phase I/II HVDC-TF Service Charge as calculated pursuant to this Service Schedule.

## **PHASE I/II HVDC-TF SERVICE CHARGE**

### **A. Firm Point-To-Point Service**

The Transmission Customer shall compensate NEP each month for Reserved Capacity for use of NEP's Use Rights at the sum of the applicable charges set forth below:

- 1. Yearly delivery:** one-twelfth of the demand charge as determined in Section A.5. below per KW of Reserved Capacity per year.
- 2. Monthly delivery:** Yearly delivery charge divided by 12 per KW of Reserved Capacity per month.

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<sup>1</sup> Montaup has merged into NEP. NEP is the successor to Montaup for purposes of its entitlement in the Phase I/II HVDC-TF. However, any reference herein to the former Montaup Phase I/II HVDC-TF entitlement and associated charges shall apply to Montaup Phase I/II HVDC-TF entitlement prior to its merger with NEP.

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3. **Weekly delivery:** Yearly delivery charge divided by 52 per KW of Reserved Capacity per week.
4. **Daily delivery:** Weekly delivery charge by 7 per KW of Reserved Capacity per day.

The total demand charge in any week, pursuant to a reservation for Daily delivery, shall not exceed the rate specified in section (3) above times the highest amount in kilowatts of Reserved Capacity in any day during such week.

5. **Yearly delivery charge:**

$$A = B/C$$

Where: A = Yearly charge for Phase I/II HVDC-TF Service

B = Annual Cost Assessed to NEP for the Phase I/II HVDC-TF

C = The average of NEP's 12 monthly maximum transfer limits on its share of the Phase I/II HVDC-TF for the previous calendar year.

The Annual Cost Assessed to NEP for the Phase I/II HVDC-TF shall be the sum of NEP's cost of service support payments to Vermont Electric Transmission Company (VETCO), New England Electric Transmission Corporation (NEET), New England Hydro Electric Transmission Company (NEH), and New England Hydro Transmission Corporation (NHH) for the prior calendar year.

**B. Non-Firm Point-To-Point Service**

The Transmission Customer shall compensate NEP for Non-Firm Point-To-Point Service for use of NEP's Use Rights up to the sum of the applicable charges set forth below:

1. **Monthly delivery:** Monthly delivery charge as set forth in Section A of this Schedule per KW of Reserved Capacity per month.
2. **Weekly delivery:** Yearly delivery charge as set forth in Section A of this Schedule divided by 52 per KW of Reserved Capacity per week.
3. **Daily delivery:** The weekly delivery charge as set forth above divided by 7 per KW of Reserved Capacity per day.

The total demand charge in any week, pursuant to a reservation for Daily delivery, shall not exceed the rate specified in section (2) above times the highest amount in kilowatts of Reserved Capacity in any day during such week.

**4. Hourly delivery:** The basic charge shall be that agreed upon by the Parties at the time Phase I/II HVDC-TF Service is reserved and in no event shall exceed the daily charge divided by 24. The total demand charge in any day, pursuant to a reservation for Hourly delivery, shall not exceed the rate specified in section (3) above times the highest amount in kilowatts of Reserved Capacity in any hour during such day. In addition, the total demand charge in any week, pursuant to a reservation for Hourly or Daily delivery, shall not exceed the rate specified in section (2) above times the highest amount in kilowatts of Reserved Capacity in any hour during such week.

## **ATTACHMENT L**

### **Creditworthiness Policy**

#### **1. Introduction & Applicability**

This policy establishes creditworthiness standards for transmission service<sup>2</sup> and/or interconnection service customers (“Customers”) entering into new, amended, or assigned service agreements with NEP under the ISO-NE OATT. The following describes NEP’s qualitative and quantitative credit review procedures and the types of security that are acceptable to NEP to protect against the risk of default.

#### **2. Information Requirements**

For purposes of determining the ability of a Customer to meet its obligations, NEP may require the Customer to submit financial information for the credit review, including credit ratings, credit reports and audited financial statements. In addition, the following factors may be considered in evaluation of the Customer’s creditworthiness: applicant’s history; nature of organization and operating environment; management; contractual obligations; governance, financial / accounting policies, risk management and credit policies; market risk including price exposures, credit exposures, and operational exposures; and event risk. All information required under this Attachment should be forwarded to the NEP account manager as specified on the NEP OASIS website.

#### **3. Creditworthiness Evaluation**

NEP will evaluate the creditworthiness of Customers entering into new or amended transmission or interconnection service agreements with NEP in order to assess a Customer’s credit risk relative to the exposure or “Total Outstanding Obligation” as defined in Section 3.1 below, created by the transaction or transactions that NEP has with the Customer.

##### **3.1. Total Outstanding Obligation**

The Customer’s Total Outstanding Obligation to NEP will be the sum total of the following components:

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<sup>2</sup> This policy is not applicable to Non-Firm Phase I/II HVDC-TF Service.

3.1.1 If the Customer is making payments to NEP for ongoing expenses (including, but not limited to, O&M expenses related to interconnections or other monthly charges such as monthly transmission charges under Schedule 21- NEP of the ISO-NE OATT) the Customer will be required to provide security pursuant to Section 3.2 below, for four months' worth of the Customer's average payment obligation for such charges.

3.1.2 Whenever, in accordance with the provisions of the ISO-NE OATT, a Customer pays a Contribution in Aid of Construction ("CIAC") or transfers ownership of facilities to NEP for transmission or interconnection facilities that are to be constructed on behalf of a Customer at the Customer's sole expense, and NEP determines in good faith that the receipt of CIAC payments or property from the Customer are non-taxable, NEP will require a form of security from the Customer pursuant to Section 3.2 below for the amount of the potential tax liability to NEP that would occur if such facilities were deemed taxable.

3.1.3 Whenever, in accordance with the provisions of the ISO-NE OATT, a Customer pays a formula rate over time for return of and on the cost of capital incurred by NEP on behalf of a Customer at the Customer's sole expense, the Customer will be required to provide security pursuant to Section 3.2 below, for the unamortized balance of plant in service reserved for the sole use of the Customer.

### 3.2 Creditworthiness Requirements

A Customer will be considered creditworthy upon satisfying at least one of the following conditions, or a combination of those conditions, at the time that the Customer enters into a transmission or interconnection service agreement and for so long as the Customer maintains satisfaction of at least one of these conditions for any outstanding obligations thereunder:

3.2.1 The Customer maintains a minimum credit rating of BBB from Standard & Poor's Long-term Issuer Credit Rating or Baa2 from Moody's Investors Service Long-term Issuer Credit Rating, so long as the Customer's Total Outstanding Obligation plus any other unsecured obligation with NEP and its Affiliates does not exceed the Credit Limits discussed in Section 5

below.<sup>3</sup> If unrated, the Customer's financial statements will be reviewed to determine an equivalent rating based on the Customer's unsecured credit limits and/or financial statements.

3.2.2 The Customer provides and maintains in effect during the term of and until full and final payment and performance of the service agreement an unconditional and irrevocable Letter of Credit for the Total Outstanding Obligation in the form and substance and issued by a bank reasonably acceptable to NEP. A draft, acceptable form letter of credit is posted on OASIS. Any such bank must satisfy the creditworthiness criteria described in 3.2.1 above.

3.2.3 The Customer's parent or an Affiliate company satisfies the creditworthiness criteria described in 3.2.1 above and, subject to the Credit Limits stated in Section 4 below, such company submits to NEP and maintains in effect a Letter of Guaranty acceptable to NEP as to amount, form and substance for the term of and until full and final payment and performance of the service agreement.

3.2.4 The Customer is a municipal that is a member of the Massachusetts Municipal Wholesale Electric Cooperative (MMWEC). In such instances, MMWEC must meet the criteria set out in 3.2.1 or 3.2.2 above and provide to NEP a Letter of Guaranty that MMWEC will be unconditionally responsible for all financial obligations associated with the Customer's receipt of transmission or interconnection service from NEP.

3.2.5 The Customer makes an advance payment to NEP in immediately available funds for the Total Outstanding Obligation.

If, at any time, the credit rating of the Customer, Customer's bank, or Customer's parent or Affiliate providing the Guaranty as set out in 3.2.1, 3.2.2 or 3.2.3 above falls below investment grade (BBB- from Standard and Poor's and or Baa3 from Moody's), the Customer will be required to provide (i) notification to NEP within 10 days and, (ii) another form of security acceptable to NEP, as described in this Section 3.2, within 30 days.

#### **4. Customer Costs Requiring Prepayment**

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<sup>3</sup> When NEP reviews a Customer's rating from two or more rating agencies and a split rating is present, the lower debt rating will apply. In the event that the Customer only has a rating from either Standard & Poor's or Moody's Investors Service, a rating from Duff & Phelps or Fitch and Weiss may also be used with acceptable ratings equivalent to those from either Standard and Poor's or Moody's Investors Service.

Whenever, in accordance with the provisions of the ISO-NE OATT, a Customer pays a CIAC for transmission or interconnection facilities to be constructed by NEP on behalf of a Customer at the Customer's sole expense, the Customer will have the option to (i) prepay the CIAC in immediately available funds to NEP, or (ii) make periodic CIAC progress payments, as defined in the Customer's service agreement, to prepay in increments capital costs scheduled to be incurred by NEP. If NEP determines in good faith that such payments or property transfers made by the Customer should be reported as income subject to taxation, the Customer shall also prepay all costs associated with the cost consequences of the current tax liability imposed on NEP by those facilities (the "Tax Gross-up").

## 5. Credit Limits

NEP reserves the right to limit the total amount of unsecured credit extended to a Customer under 3.2.1 and 3.2.3 above such that the sum of all unsecured credit that such Customer has with NEP and its Affiliates, including the Total Outstanding Obligation, shall not exceed the Credit Limits defined below. Such limitations are based on an assessment of the Customer's or its Guarantor's credit rating and the net worth of the Customer's or its Guarantor's assets.

Standard and Poor's (or Equivalent) Rating	Unsecured Credit Limit as Percent of Customer's or Guarantor's Tangible Net Worth
A and above	1.0%
A-	0.5%
BBB+	0.2%
BBB	0.1%
BBB-	0.0%

## 6. Contesting Creditworthiness Determinations

A Customer may contest NEP's determination of creditworthiness by submitting a written request to NEP for re-evaluation within 20 calendar days of being notified of the creditworthiness determination. Such request should provide information supporting the basis for a request to re-evaluate the Customer's creditworthiness. NEP will review and respond to the request within 20 calendar days.

## **7. Process for Changing Credit Requirements**

In the event that NEP plans to revise its requirements for credit levels or collateral requirements as detailed in this Attachment L, NEP shall submit such changes in a filing to the Federal Energy Regulatory Commission (“Commission”) under Section 205 of the Federal Power Act. NEP shall follow the consultation obligation pursuant to Section 3.12 of the Transmission Service Administration Agreement and reflected herein.

### **7.1 General Notification Process**

7.1.1. NEP shall consult with ISO-NE and the IRH Management Committee regarding any filing described above, at least 30 days in advance of such filing.

7.1.2. Following Commission acceptance of such filing and upon the effective date, NEP shall revise its Attachment L Creditworthiness Policy and an updated version of Schedule 20A-NEP shall be posted on the ISO-NE website.

### **7.2 Customer Responsibility**

7.2.1 Upon the effective date of any revision to these creditworthiness requirements or upon the date of the Commission’s order accepting such revisions, whichever is later, the Customer shall have 30 days to forward updated financial information to NEP and indicate whether the revised creditworthiness requirements impair the Customer’s ability to comply with the revised requirements. In such cases, the Customer must take all reasonable steps to comply with the revised requirements of the Creditworthiness Policy within 45 days of the effective date of the change.

### **7.3 Notification for Active Customers**

7.3.1 Active Customers are defined as any current Customer that has a Service Agreement currently in effect and has posted an irrevocable letter of credit, letter of guaranty or prepayment in accordance with Sections 3.2.2, 3.2.3, 3.2.4, or 3.2.5, above.

7.3.2 All Active Customers will be served with copies of any filing submitted to the Commission to modify the Company's creditworthiness requirements.

**8. Suspension of Service**

NEP may, immediately suspend service (with notification to Commission) to a customer, and may initiate proceedings with Commission to terminate service, if the customer does not meet the terms described in this Attachment. A customer is not obligated to pay for Transmission Service that is not provided as a result of a suspension of service.