ISO New England's "Strawman" Proposal for Regional Transmission Planning

Pursuant to FERC's Order 890 Final Rule

May 29, 2007

TABLE OF CONTENTS

I. INTRODUCTION

On February 16, 2007, the Federal Energy Regulatory Commission ("FERC" or "Commission") issued its Final Rule on *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890 ("Order No. 890" or "Final Rule"), amending its regulations and the *pro forma* open access transmission tariff ("OATT") initially adopted in Order Nos. 888 and 889. Among other things, Order No. 890 requires all transmission providers to amend their existing OATTs to implement a coordinated, open and transparent transmission planning process that complies with nine planning principles and other requirements specified in the Final Rule. (P 437) Alternatively, Order No. 890 requires transmission providers to make a compliance filing "describing its existing coordinated and regional planning process, including the appropriate language in its tariff, and show that its existing process is consistent with or superior to the requirements in this Final Rule." (*Id.*) In this regard, Order No. 890 acknowledges that certain independent system operators and regional transmission operators ("ISOs/RTOs") already have approved planning processes that are more open than non-ISO/RTO regions and emphasizes the Commission's intent "not to re-open prior approvals." (P 439) Because Order No. 890 reforms the Commission's standardized OATT, however, each ISO and RTO is required to reform its existing planning process or show that it is consistent with or superior to the standardized *pro forma*, as further revised by Order No. 890.

Pursuant to Order No. 890, all transmission providers are required to post on their OASIS or websites a "strawman" proposal for compliance with the nine principles adopted in the Final Rule, including identifying the "broader region" in which further coordinated regional planning will be conducted. (P 443) Order No. 890 also requires ISOs and RTOs to state "how all participating transmission owners within their footprint will comply with the planning requirements of this Final Rule" with respect to local area facilities that may not be incorporated into the regional planning process. (P 440)

In accordance with Order No. 890's requirements, ISO-NE has prepared a "strawman" proposal that is based on the existing Regional System Planning Process, currently provided in Part II.G (Section II.46 – II.48) and Attachment N of the ISO-NE OATT. As required in the Final Rule, the "strawman" proposal also includes the proposals of: (i) the Participating Transmission Owners ("PTOs") in New England who have retained planning responsibility over certain of their transmission facilities, (ii) the entities providing service over the Phase I/II HVDC ties to Quebec under Schedule 20A of the ISO-NE OATT (the "Schedule 20A Service Providers" or "SSPs", (iii) Cross-Sound Cable Company, LLC ("CSC"); and (iv) Maine Electric Power Company Inc. ("MEPCO").[1] These proposals are also based on the ISO-NE Regional System Planning Process, as applicable, consistent with the terms of the PTOs', SSPs' and MEPCO's respective agreements delineating their rights and obligations within New England.

[1] The proposals of the SSPs, CSC and MEPCO are Attachments 2 through 4, respectively, to the Strawman.

Specifically, pursuant to Section II.49 of the ISO-NE OATT and Sections 3.02, 3.05 and 3.09 of the Transmission Operating Agreement ("TOA") approved by the Commission as part of establishing the New England RTO, ISO-NE has operating authority over all facilities (Pool Transmission Facilities ("PTF"), non-PTF and Local Area Facilities)[2] used for the provision of transmission service under the ISO-NE OATT. ISO-NE also has operating authority over the U.S. portions of the HVDC ties to Quebec and over Merchant Transmission Facilities and Other Transmission Facilities, pursuant to the ISO-NE OATT and applicable operating agreements.[3] However, in accordance with those same provisions, the PTOs have retained overall responsibility for planning (in a manner that is consistent with applicable NERC/NPCC Requirements, Good Utility Practice and the ISO-NE OATT) non-PTF and Local Area Facilities that are not generally addressed in the Regional System Planning Process. Thus, the established comprehensive Regional System Planning Process set forth in ISO-NE's OATT applies primarily to PTF in the New England Transmission System and only applies to non-PTF and Local Area Facilities to the extent that modifications to such facilities flow from PTF planning under the Regional System Planning Process.

As required by Order No. 890, ISO-NE has worked in close coordination with the PTOs and other stakeholders in New England to ensure that the process for local planning also complies with the Commission's nine planning principles. Thus, the "strawman" proposal described in Section III below contains recommended changes to the process for local facility planning to ensure that they comply with the Commission's nine planning principles under Order No. 890. The transmission planning proposals developed by the SSPs, MEPCO and CSC are also appended to this "strawman." One common "strawman" proposal containing all of the various transmission planning efforts within New England not only facilitates review and discussion, but also demonstrates the ongoing integrated and coordinated efforts to ensure that all entities with planning responsibility in New England comply with the requirements set forth in the Final Rule. This "strawman" proposal will form the basis for discussion and development of the compliance filing required by Order No. 890, due on October 11, 2007. In this respect, following the posting of this "strawman," ISO-NE plans to work with state regulators, NEPOOL Participants and other stakeholders to ensure compliance with Order No. 890 and the enhancement of the transmission planning process in manner that meets all regional needs.

II. STRUCTURE OF THIS "STRAWMAN"

In Order No. 890, the Commission encouraged transmission providers to consult with their stakeholders in the development of the "strawman" proposal. To this end, ISO-NE posted a draft of the "strawman" proposal for regional system planning on May 14, 2007, as part of the materials for the May 16, 2007 Planning Advisory Committee ("PAC") meeting. On that same

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[2] Capitalized terms not otherwise defined herein have the meanings ascribed thereto in the ISO-NE OATT or the applicable transmission operating agreement. The ISO-NE OATT is Section II of the ISO New England Inc. Transmission, Markets and Services Tariff, FERC Electric Tariff No. 3 ('the "ISO-NE Tariff").

[3] Note that ISO-NE does not have a transmission operating agreement with CSC. ISO-NE's operational authority over CSC is pursuant to ISO-NE OATT, § II.48.7.

date, ISO-NE sent notices of the posted materials and extended invitations to discuss the "strawman" at the May 16 PAC meeting to (1) representatives of each of the New England States through the New England Conference of Public Utility Commissioners, Inc. ("NECPUC"), (2) members of PAC, which includes members of the New England Power Pool ("NEPOOL") Participants and Reliability Committees, (3) the members of the NEPOOL Transmission Committee, and (4) the members of the Order No. 890 Stakeholder Working Group. On May 16, ISO-NE held an open stakeholder[4] meeting with PAC during which ISO-NE presented and requested comments on this "strawman." The PTOs in New England also presented and solicited comments on their proposal for planning for local transmission facilities at this meeting. In addition, on May 24, 2007, ISO-NE held a conference call with representatives of the New England States through NECPUC. A list of the comments provided to the ISO-NE during these meetings is included in Section IV below. ISO-NE will continue to review these comments, as well as post any additional comments received on this "strawman" on the ISO-NE website to facilitate communication and discussions on transmission planning among all interested parties in New England.

The ISO-NE "strawman" proposal is organized in the following manner. Section III of the "strawman" proposal describes the requirements corresponding to the nine planning principles specified in Order No. 890, and outlines the aspects of the existing ISO-NE regional transmission planning process that comply with the nine planning principles articulated in Order No. 890 or identifies areas where further improvement is warranted to ensure compliance. This is consistent with Order No. 890, which provides that for "those regions and sub-regions that already have adopted significant reforms, the Commission's planning reforms may require only modest changes." (P 526) In this regard, Order No. 890 "urges participants in existing regional planning processes to closely examine whether improvements may be implemented to ensure that each regional planning process is fully consistent with the requirements of this Final Rule." (*Id*.) Section III also describes the transmission planning "strawman" for local transmission facilities in New England.

Section IV of the "strawman" includes a list of the concerns raised by interested parties, including, but not limited to, representatives of the New England States and market participants. ISO-NE will continue to discuss these concerns with stakeholders and other interested parties, including NECPUC, following the posting of this "strawman." As discussed in Section III, ISO-NE has identified certain improvements to its Regional System Planning Process that would address some of the concerns raised, as listed in Section IV. ISO-NE, however, plans to hold future meetings with stakeholders and other interested parties to further develop the improvements identified in Section III and all other concerns. ISO-NE also plans to schedule follow-up meetings with NECPUC to facilitate the participation of the New England States in this process consistent with its ongoing outreach efforts and Order No. 890.

[4] Stakeholders actively participating in that meeting included several state government representatives.

To facilitate the discussions regarding the ISO-NE transmission planning process as well as the development of the October 11, 2007 compliance filing, the following documents have been appended to this "strawman":

- Attachment 1 – A draft of new Attachment K containing the provisions governing the ISO-NE regional system transmission planning process, using blackline formatting to reflect any changes being contemplated for the current ISO-NE OATT Regional System Planning Process language, as well as the documents that would be cross-referenced in Attachment K (*i.e.*, Section I.6 , Schedule 12 and Attachment N);

- Attachment 2 – The SSPs' Phase I/II HVDC Transmission Facilities Transmission Planning Strawman;

- Attachment 3 – The CSC Transmission Planning Strawman; and

- Attachment 4 – The MEPCO Transmission Planning Strawman.

III. ISO-NE "STRAWMAN" TRANSMISSION PLANNING PROCESS

A. Compliance with Order No. 890's Nine Planning Principles

1. Coordination

a. Requirements

- The purpose of the coordination requirement is to eliminate the potential for undue discrimination in planning by opening appropriate lines of communication between transmission providers, affected state authorities, customers, and other stakeholders. (P 452)

- The Transmission Provider could meet this requirement by facilitating the formation of a permanent planning committee made up of itself, its neighboring transmission providers, affected state authorities, customers, and other stakeholders. (P 452)

- Transmission Providers are required to craft a process that allows for reasonable and meaningful opportunity to meet or otherwise interact meaningfully. (PP 445, 451)

b. Regional System Planning

ISO-NE's comprehensive Regional System Planning Process complies with the Coordination principle. ISO-NE's regional transmission planning process is open to all interested or affected parties and coordinated with neighboring control areas.

Pursuant to Section II.48.2 of the ISO-NE OATT, ISO-NE consults with the PAC[5] when completing the Regional System Plan ("RSP"). Specifically, pursuant to Section II.48.2, the PAC "facilitate[s] the needs assessment and development of the RSP including input to assumptions for the studies, comment on the results of the needs assessments, identification of potential market responses to ISO-NE's identification of needs that may have been made known in previous plans or more recent studies presented at the [PAC]." Any entity, including state agencies and state committees, may designate a member to the PAC.

Pursuant to Section II.48.5(f) of the OATT, ISO-NE proactively engages in interregional coordination in addition to coordination with asset owners in New England. That section specifically requires ISO-NE to develop the RSP "in coordination with the similar plans of the surrounding RTOs and Control Areas." Section II.48.5(f) further provides for "Inter-Area planning to be conducted in as broad a region as feasible, including adjacent Canadian systems who are members of NPCC, MAAC and ECAR." As that section also requires, ISO-NE convenes periodic meetings of the PAC that focus on providing input and feedback to ISO-NE concerning Inter-Area needs assessment and identification of potential market and regulated responses to those Inter-Area needs identified by ISO-NE. In addition, ISO-NE coordinates its findings with neighboring Control Areas (*e.g.*, NYISO and New Brunswick). In addition to the OATT requirements, ISO-NE also has agreements in place to improve coordinated planning with neighboring systems. Specifically, ISO-NE, PJM and NYISO are signatories to the Northeastern ISO/RTO Planning Coordination Protocol ("NPCP"), which also incorporates the technical participation of IESO, Ontario Power Authority, TransEnergie and New Brunswick. The NPCP has improved the exchange of data and information among these regions and has resulted in the issuance of a Northeast Coordinated System Plan ("NCSP").

Section II.48.4(c) requires ISO-NE to convene the PAC at the initiation of an ISO-NE needs assessment.[6] Subsection (d) further requires ISO-NE to convene PAC meetings to address additional considerations relating to the initiation of a system enhancement and expansion study. Representatives of the ISO-NE Board of Directors must also meet at least annually to obtain direct public input before publishing a formal, annual RSP. In addition to these meetings, as a matter of practice, ISO-NE meets with the PAC regularly to discuss, receive input and provide updates on its system assessments and other planning studies. ISO-NE posts related materials on its website and sends notices of its meetings to NEPOOL Participants and other entities that have registered to participate in the PAC.[7] Among the members registered to participate in the PAC

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[5] The PAC was established to provide input and feedback to ISO-NE concerning the development of the Regional System Plan and the conduct of system enhancement and expansion studies.

[6] Section II.48.4(d) of the ISO-NE Tariff explains that the needs assessment examines, *inter alia*, resource adequacy, transmission adequacy, and projected congestion levels. The needs assessment is reviewed and published as part of the Regional System Plan.

[7] Information relating to the PAC is available on the ISO-NE website at: http://www.iso-ne.com/committees/comm_wkgrps/prtcpnts_comm/pac/index.html. Previously developed RSPs also are available on the ISO-NE website at: http://www.iso-ne.com/trans/index.html.

are representatives of state commissions and other state regulators, environmental regulators, NEPOOL Participants, and other stakeholders.

In addition to the existing requirements in the ISO-NE OATT, ISO-NE schedules additional meetings with the New England States to review the RSP results. As part of its outreach efforts to the New England States, for the past two years ISO-NE has met with NECPUC representatives to receive additional comments.

Following the posting of this "strawman," ISO-NE plans to continue to explore with stakeholders and other interested parties potential improvements to the coordination of the Regional System Planning Process to allow for their meaningful and proactive involvement and input earlier in time.

c. Planning for Local Transmission Facilities

ISO-NE and the PTOs support an expansion of the PAC process to allow stakeholder input to transmission planning for local transmission facilities. Under this expanded process, each PTO would be responsible for developing an appropriate needs analysis for its own local area transmission facilities, presenting a plan to the PAC for addressing those needs, and for addressing customer or stakeholder issues raised as part of the PAC process.

2. Openness

a. Requirements

- Transmission planning meetings are required to be open to all affected parties, including, but not limited to, all transmission and interconnection customers, state commissions, and other stakeholders. (P 460)

- Transmission Providers in consultation with affected parties, are to develop mechanisms, such as confidentiality agreements and password-protected access to information, in order to manage confidentiality and CEII concerns. (*Id.*)

b. Regional System Planning

ISO-NE PAC meetings are open to all affected parties and any other interested parties. Although individual meeting attendance varies based on the agenda, PAC members consist of NEPOOL Participants, state agencies such as NECPUC, regional agencies such as NPCC, and members from neighboring control areas. ISO-NE has been able to conduct open and transparent planning meetings while protecting CEII, consistent with its internal policies based on the Commission's guidance, and market-sensitive information, as set forth in its Information Policy, Attachment D of the ISO-NE Tariff.

Though ISO-NE undertakes the necessary steps to ensure such information is protected, it plans to develop a process for uniform access to CEII information that will ensure such data is safeguarded while still allowing for an open process. The intent is for such mechanism to specifically: (1) define CEII so that the data may be properly designated by the entities generating the data and treated as such, consistent with the guidance provided by FERC; (2) identify who is responsible for designating the data as CEII; and (3) describe how the CEII data will be disseminated and, correspondingly, who should receive it.

c. Planning for Local Transmission Facilities

The PTOs will coordinate with ISO-NE so that the process for access to CEII information, including the safeguarding of such data, is consistent with and applicable to local area transmission planning.

3. Transparency

a. Requirements

- Transmission Providers are required to disclose to all customers and other stakeholders the basic criteria, assumptions, and data that underlie their transmission system plans. (P 471)

- Transmission Providers will be required to reduce to writing and make available the basic methodology, criteria, and processes they use to develop their transmission plans, including how they treat retail native load. (Id.)

- Transmission Providers must make available information regarding the status of upgrades identified in their transmission plans in addition to the underlying plans and related studies. (P 472)
- Where demand resources are capable of providing the functions assessed in a transmission planning process, and can be relied upon on a long-term basis, they should be permitted to participate in that process on a comparable basis. (P 479 and n. 274)

b. Regional System Planning

ISO-NE's system planning process is conducted in a transparent manner. As Section II.48.3(c) of the OATT provides:

> The RSP shall identify, based on the results of system enhancement and expansion studies conducted . . . a list of proposed Reliability Transmission Upgrades, Market Efficiency Transmission Upgrades . . . to the New England Transmission System . . . that are determined by the ISO to be appropriate at the time of the issuance of the Plan.

The RSP project list currently identifies the proposed transmission upgrades in New England, including a brief description and status for each of the upgrades. The terms representing the status of different projects include: (1) in-service, meaning the project has been placed in operation; (2) under construction, meaning the project has received necessary approvals and a significant level of engineering or construction is underway; (3) planned, meaning the project has received approval under Section I.3.9 of the ISO-NE Tariff, if required, but may not have updated Transmission Cost Allocation approval; (4) proposed, recognizing that a significant degree of analysis is available to show potential need for the project, but I.3.9 approval has not been received; (5) concept, meaning there is little or no analysis available to support a specific project, but there is sufficient information to suggest future study work; and (5) cancelled. ISO-NE provides information regarding the status of upgrades identified in the RSP, as well as the underlying studies and plans through PAC. Specifically, ISO-NE provides a formal update of the RSP project list at PAC three times a year (April, July and October). As noted under the Coordination Principle, an annual RSP is also developed, which also provides the status of projects.

Pursuant to Section II.48.3(c), ISO-NE also includes in the RSP sufficient information to allow market participants to assess "the quantity, general locations, operating characteristics and required availability criteria of the type of incremental supply or demand-side resources that would satisfy the identified need or may serve to modify, offset, or defer proposed regulated transmission solutions." Section II.48.3(e) of the OATT specifies the criteria underlying the RSP, including the system enhancement and expansion studies as well as the assessment of proposed solutions to meet the needs identified. According to that section, the RSP must conform to "Good Utility Practice; applicable reliability principles, guidelines, criteria, rules, procedures and standards of NERC [and] NPCC." That section also requires that the RSP comply with "planning criteria adopted and/or developed by the ISO; Transmission Owner criteria, rules, standards, guides and policies."

In addition, Attachment N of the OATT describes categories of data and factors ISO-NE considers when evaluating proposed transmission upgrades to address Reliability and Market Efficiency needs on the regional transmission system. The ISO-NE Planning Procedures, which are developed in consultation with stakeholders, also provide more information on the nature and detail of the data ISO-NE uses to conduct transmission system studies and its evaluation of proposed solutions to meet the needs identified. The ISO-NE Planning Procedures are posted on its website at: http://www.iso-ne.com/rules_proceds/isone_plan/index.html.

ISO-NE plans to work with stakeholders to develop transmission planning process procedures that will further clarify the qualification criteria applied for inclusion of projects in the RSP project list and provide greater transparency as to how projects move from one status to another.

In regard to the consideration of demand resources, any entity may propose market solutions (*e.g.*, demand-side projects, distributed generation and/or merchant transmission) to

address identified system needs. (*See* Order No. 890, P 479, n. 272) Pursuant to Section II.48.3(b), in developing the baseline for the RSP, ISO-NE accounts for "demand-side projects planned within the New England Control Area and identified to the ISO" as it accounts for proposed generation and transmission projects. Moreover, as required in Section II.48.3(d), ISO-NE may remove proposed transmission projects from the RSP or defer such solutions to a later date "if the market responds by developing credible alternative generation projects, demand-side projects, or Merchant Transmission Facilities."[8] As such, ISO-NE already affords demand response resources treatment comparable to other market and transmission solutions.

In the 2006 RSP, specifically, ISO-NE addressed its programs for demand-side resources and efforts to align the wholesale and retail electricity markets to enable further development of demand-side resources in New England. The 2006 RSP also addressed the impacts of conservation and energy efficiency on reducing overall consumption of electricity and summer peak demand, in particular. In addition, each month, ISO-NE posts an update on resources enrolled in its Demand Response Programs. This update includes resources that respond to wholesale electricity prices and to reliability events on the bulk power system. The enrollments are listed for each of the eight energy market zones in New England. Notably, enrollments have grown from approximately 100 megawatts ("MW") in 1997 to almost 1,000 MW in May 2007. The growth in the enrollments over time is documented on ISO-NE's website at:

http://www.iso-ne.com/genrtion_resrcs/dr/stats/enroll_sum/index.html.

ISO-NE also conducts monthly meetings of the Demand Response Working Group and holds annually a Demand Resource Summit to educate stakeholders (including the New England States themselves) on ISO-NE programs and market enhancements as part of its ongoing effort to develop additional demand resources in New England. Representatives of the New England States are active members of the Demand Response Working Group and regular participants on the program for the Demand Resource Summit.

c. Planning for Local Transmission Facilities

In addition to making information available concerning the status of regional upgrades, ISO-NE and the PTOs will develop a process for communicating the status of transmission plans for local facilities. While planning criteria may be different for local area facilities than for bulk power systems, under the TOA, PTOs are already obligated to plan their local area facilities in a manner that is consistent with applicable NERC, NPCC and ISO-NE OATT criteria, and Good Utility Practice. To the extent that demand response resources are identified that could impact planning for local transmission facilities, each PTO will be responsible for taking those proposals and/or plans into account when developing its local area system plan. ISO-NE also will work

[8] For ISO-NE to remove or defer a proposed transmission project under such conditions, the market response must be achievable within the required time period to address the identified need that the listed transmission project would have addressed.

with the PTOs to devise a means to share demand-response data related to Forward Capacity Markets with the PTOs for transmission planning purposes.

4. Information Exchange

a. Requirements

- Transmission Providers, in consultation with their customers and other stakeholders, are required to develop guidelines and a schedule for the submittal of information. The information exchange principles are for both network and point-to-point customers. (P 486)

- The information collected by transmission providers to their native load customers must be transparent and, to that end, equivalent information must be provided by transmission customers to ensure effective planning and comparability. Information must be made available continuously, and at regular intervals identified in advance. The frequency of information exchange should be addressed in the transmission provider's compliance filing. (P 486)

b. Regional System Planning

Section II.48.5(b) of the ISO-NE OATT requires Participants to give ISO-NE needed information for ISO-NE to conduct its planning function. It states that:

> The Transmission Owners, those entities requesting transmission service or interconnection, and any other entities proposing to provide facilities to be integrated into the New England Control Area or alternatives to such facilities shall supply upon request and subject to applicable confidentiality requirements of the ISO New England Information Policy/Code of Conduct any information (including cost estimates) any data reasonably required to prepare an RSP or to perform a transmission enhancement and expansion study. Any other information or data provided shall be subject to the rights and obligations of the ISO New England Information Policy/Code of Conduct.[9]

As indicated above, ISO-NE provides all interested parties the opportunity to review its draft Regional System Plans. In addition, Section I.3.9 of the ISO-NE Tariff provides New England asset owners the opportunity to review the specific operability characteristics of transmission projects to ensure no adverse impacts occur on asset owners' facilities/systems.

[9] *See also* Section 2.1 of Schedule 3.09(a) to the TOA (requiring PTOs to supply such information to ISO-NE).

c. Planning for Local Transmission Facilities

The PTOs and ISO-NE will coordinate with each other and with stakeholders to devise a comparable method for obtaining data from customers and exchanging information consistent with CEII and other confidentiality constraints.

5. Comparability

a. Requirements

- Transmission Provider, after considering the data and comments supplied by customers and other stakeholders, to develop a transmission system plan that (1) meets the specific requests of its transmission customers and (2) otherwise treats similarly situated customers (e.g., network and retail native load) comparably in transmission system planning. (P 494)

- Demand resources should be considered on a comparable basis to the service provided by comparable generation resources where appropriate. (P 494)

b. Regional System Planning

By virtue of its independent structure, ISO-NE treats all participants in New England comparably. Moreover, the open and inclusive structure of ISO-NE's planning process serves as a method by which any interested party can remain apprised of, and provide input into, how ISO-NE is carrying out the planning function.

As stated above, under the planning process, stakeholders may propose market solutions, including demand response resources, to address identified system needs, and ISO-NE can modify regional transmission plans accordingly. Demand resources are considered on a comparable basis to the service provided by comparable generation where appropriate. For instance, the ISO-NE Forward Capacity Market treats demand resources on a comparable basis to generation. To the extent that demand response, or any other resource, can address a system need identified in the RSP, ISO-NE does not favor one resource (or participant) over another. However, not all resources provide comparable service and, therefore, may not be a substitute for one another. Moreover, ISO-NE does not have the authority to order any entity to develop market solutions (such as demand response or generation) that might address system needs. Instead, ISO-NE has developed markets to provide price signals for the development of those types of resources in New England.

c. Planning for Local Transmission Facilities

The PTOs and ISO-NE will coordinate with each other and with stakeholders to ensure a comparable method for meeting the specific service requests of transmission customers and

otherwise treating similarly situated customers comparably in local transmission system planning.

6. Dispute Resolution

a. Requirements

- Transmission Providers are required to develop a dispute resolution process to manage disputes that arise from the Final Rule's planning process. (P 501)

- An existing dispute resolution process may be utilized, but those seeking to rely on an existing dispute resolution process must specifically address how its procedures will be used to address planning disputes. (P 501)

- The dispute resolution process should be available to address both procedural and substantive issues. (P 501)

- The dispute resolution process should be a three step process consisting of negotiation, mediation, and arbitration. (P 503)

- The Commission does not intend for the dispute resolution process to address issues over which the Commission does not have jurisdiction, such as a transmission provider's planning to serve its retail native load or state siting issues. (P 503)

b. Regional System Planning

ISO-NE's planning process relies on regular public meetings in which all potentially impacted parties may discuss and debate the merits of proposed projects, thereby facilitating resolution of any disputes that may arise before any project is finally approved by ISO-NE. In addition, participants are able to provide input and discuss any proposed revisions to the RSP with representatives of the ISO-NE Board, at least annually.

In addition, the agreement governing the joint interregional planning process engaged in by ISO-NE, NYISO and PJM, contains dispute resolution provisions among those entities (section 5) that call for resolution first by the respective senior executives, next by a third party dispute resolution, and ultimately through the Commission.

Although the ISO-NE's planning process provides regular public meetings in which all potentially impacted parties may discuss and debate the merits of proposed projects, thereby facilitating resolution of any disputes that may arise before any project is finally approved by ISO-NE, the regional planning process does not contain a separate dispute resolution process. Rather, Section I.6 of the ISO-NE Tariff sets forth a dispute resolution process that broadly applies to all disputes arising under the Tariff and meets the Commission's required three-step

process. Section I.6 provides a dispute resolution process by which to address both procedural and substantive planning issues. The provisions call for resolution first by the respective senior executives, next by a third party dispute resolution, and ultimately through the Commission. Section I.6 also provides for resolution through arbitration as an alternative. ISO-NE plans to engage in further discussions with stakeholders and other interested parties to define the types of planning-related disputes that are appropriate for application of the Section I.6 process consistent with the Commission's jurisdiction.

c. Planning for Local Transmission Facilities

The PTOs and ISO-NE will coordinate with each other and with stakeholders to implement a dispute resolution process applicable to the local planning process. It is envisioned that the process would define the types of planning-related disputes that are appropriate for application of this process, consistent with the Commission's rules and guidance.

7. Regional Participation

a. Requirements

- In addition to preparing a system plan for its own control area on an open and nondiscriminatory basis, each Transmission Provider is required to coordinate with interconnected systems to: (1) share system plans to ensure that they are simultaneously feasible and otherwise use consistent assumptions and data, and (2) identify system enhancements that could relieve "significant and recurring" transmission congestion. (P 523)

- Transmission Providers should provide a specification of the broader region in which they propose to conduct coordinated regional planning. (P 523, n. 313)

- FERC does not mandate the geographic scope of a particular planning region, but indicates that it should be governed by the integrated nature of the regional power grid and the particular reliability and resource issues affecting individual regions and sub-regions. (P 527)

b. Regional System Planning

ISO-NE, the NYISO and PJM each have transmission planning processes for their regions, which examine reliability needs and solutions considering the impacts of and upon neighboring systems.

In addition, and as noted above, PJM, the NYISO and ISO-NE are signatories to the Northeastern ISO/RTO Planning Coordination Protocol which provides for coordinated planning across the entire Northeast region encompassing New York, New England, PJM, Ontario, Quebec and the Maritimes. The Protocol describes the committee structure established to

coordinate Inter-Area planning activities, procedures for the exchange of planning-related data and information, and the system planning analysis procedures that will be utilized by the parties. The primary purpose of the Protocol is to contribute, through coordinated planning, to the on-going reliability and the enhanced operational and economic performance of the systems of the parties. The Protocol requires the parties to coordinate the evaluation, on an on-going basis, of Tariff-provided services to recognize the impacts that result across seams between systems. The parties are also required to develop a Northeastern Coordinated System Plan that integrates: (1) the system plans of the parties; (2) on-going load growth and retirements or deactivations of infrastructure; (3) market-based additions to system infrastructure, such as generation or merchant transmission projects; (4) distributed resources, such as demand-side and load response programs; and (5) transmission upgrades identified, jointly, by the parties to resolve seams issues or to enhance the coordinated performance of the systems. Through this Protocol, the ISOs and RTOs in the Northeast have also formed the Joint Interregional Planning Committee ("JIPC") to further facilitate the coordinate their planning processes and proposed system upgrades. An Inter-area Planning Stakeholder Advisory Committee ("IPSAC") has also been formed to provide broad stakeholder participation from all sectors for the entire Northeast Region.

The ISO-NE OATT also requires inter-regional coordination. Specifically, Section II.48.5(f) of the OATT provides that:

> The RSP shall be developed in coordination with the similar plans of the surrounding RTOs and Control Areas. Inter-Area planning studies shall be conducted over as broad a region as feasible, including adjacent Canadian systems who are members of NPCC, MAAC and ECAR, the ISO shall convene periodic meetings of the Planning Advisory Committee, within the scope of its respective functions of Section II.48.2 of this OATT, to focus to provide input and feedback to the ISO concerning an Inter-Area needs assessment and identification of potential market and regulated responses to the ISO's identification of Inter-Area needs.

ISO-NE participates in NERC and NPCC forums to help ensure that the plans of neighboring systems are well coordinated and do not have an adverse impact on neighboring systems. NPCC, in particular, provides a forum that facilitates ISOs/ RTOs' coordinated planning function. NPCC provides services to its members, including the coordination of studies. ISO-NE is committed to the goals and methods of the NPCC organization, and remains determined to plan and operate the New England system in full compliance with NPCC criteria, guidelines, and procedures, and to participate in NPCC interregional studies and planning initiatives. The NPCC Task Force on Coordination of Planning ("TFCP"), for instance, reviews the adequacy of the NPCC systems to supply load, considering forecasted demand, installed and planned supply and demand resources, and required reserve margins. All studies are well coordinated across Area boundaries including the development of common data bases that do not double account for resources and can serve as the basis for internal studies by ISO-NE. As an active member of NPCC, ISO-NE fully participates in NPCC's coordinated interregional studies with its neighboring control areas.

In addition, ISO-NE produces market reports and provides updates on "seams issues," such that system enhancements that could relieve transmission congestion among regions might be identified. ISO-NE has additional agreements and protocols that also promote proactive coordinated planning. These activities include sharing of data, scope of work, and draft results. Through a joint review process, the plans are subject to joint certification of final results and are approved by the relevant system operator. Any jointly planned projects between ISO-NE and neighboring control areas are subject to open stakeholder participation and review.

c. Planning for Local Transmission Facilities

As stated under Principle 1 above, the PTOs would use the ISO-NE PAC process as the mechanism to communicate expansion needs and determinations for local facilities. The PAC, with its broad membership that includes market participants from different sectors and state regulators, clearly qualifies as a regional forum for addressing transmission planning for local transmission facilities.

8. Economic Planning Studies

a. Requirements

- Planning must involve both reliability and economic considerations. (P 542)

- Customers may request studies that evaluate potential upgrades or other investments that could reduce congestion or integrate new resources and loads on an aggregate or regional basis (e.g., wind developers). (P 544.)

- Transmission Providers, in consultation with stakeholders during the development of their Attachment K compliance filings, are directed to develop a means to allow the Transmission Provider and stakeholders to cluster or batch requests for economic planning studies so that the Transmission Provider may perform the studies in the most efficient manner. (P 546)

- Stakeholders must be given the right to request a defined number of high priority studies annually (e.g., five to ten studies) to address congestion and/or integration of new resources or loads. (P 547)

- The cost of the defined number of high priority studies would be recovered as part of the overall pro forma OATT cost of service. Once such studies are requested, the transmission provider must conduct the studies, including appropriate sensitivity analyses, in a manner that is open and coordinated with the affected stakeholders. (P 547)

- The requests for economic planning studies, as well as the responses to the requests, must be posted on the Transmission Provider's OASIS or website, subject to confidentiality requirements. (P 546)

- Transmission Provider should be obligated to study the cost of congestion only to the extent it has information to do so. If stakeholders request that a particular congested area be studied, they must supply all relevant data within their possession to enable the Transmission Provider to calculate the level of congestion costs that is occurring or is likely to occur in the near future. Transmission Providers are directed to define the information sharing obligations placed on customers in the planning process. (P 550)

- Transmission Providers must coordinate customer's requests that economic upgrades be studied as necessary in sub-regional and regional planning processes. (P 528)

b. Regional System Planning

The purpose of the ISO-NE RSP is to identify system reliability and market efficiency needs so that those needs may be met through transmission owner-developed regulated transmission solutions and/or participant-developed efficient market solutions. To a significant degree, ISO-NE's needs assessments can constitute "economic planning studies" insofar as they may lead to transmission upgrades or market solutions that address congestion and resource integration needs. Currently, the ISO-NE OATT identifies various categories of transmission upgrades to address needs identified in these assessments: Reliability Transmission Upgrades, Market Efficiency Upgrades, Elective Transmission Upgrades and Merchant Transmission Upgrades. Under the current construct, Reliability Transmission Upgrades and Market Efficiency Transmission Upgrades[10] qualify as Regional Benefit Upgrades, as they provide system-wide benefits by ensuring that the entire New England region meets established reliability criteria and reducing bulk power system costs to load system-wide, respectively. (*See* Attachment N of ISO-NE OATT) Though most of the transmission projects to date have primarily addressed reliability, many areas of New England have experienced economic benefits as a byproduct of many of those reliability projects. In addition to the Reliability Benefit Upgrades, the ISO-NE OATT also provides any entity the right to propose and construct the addition of Merchant Transmission Facilities, the costs of which will be borne by that entity. (Section II.48.7) In addition, any entity may propose to fund and construct Elective Transmission

[10] The ISO-NE OATT specifically defines what costs are relevant for determining the types of transmission upgrades that are deemed to provide a market efficiency benefit for the region. Attachment N of the ISO-NE OATT provides that "Market Efficiency Transmission Upgrades are upgrades designed primarily to provide a net reduction in the total production cost to supply the system load. Proposed Market Efficiency Transmission Upgrades shall be identified by the ISO where the net present value of the net reduction in total cost to supply the system load, as determined by the ISO, exceeds the net present value of the carrying cost of the identified transmission upgrade." Attachment N lists the specific factors and costs ISO-NE considers.

Upgrades which may also reduce congestion or integrate new resources and loads on an aggregate or regional basis. (Section II.47.2)

Moreover, pursuant to Section II.48 and Attachment N of the OATT, transmission customers and stakeholders may request studies to address areas of concerns, particularly, reliability, economics, the integration of new resources, or merchant transmission development. ISO-NE undertakes such study requests from its transmission customers or stakeholders, and will continue to work with customers, state regulators, NEPOOL Participants and other stakeholders to ensure that future requests are properly prioritized.

ISO-NE plans to work with the New England State representatives, NEPOOL Participants and other stakeholders to determine whether improvements to the transmission planning process are warranted to further address the performance of economic planning studies required in Order No. 890. As required by Order No. 890, stakeholders and transmission customers requesting that ISO-NE perform economic planning studies will need to provide the relevant data to ISO-NE.

c. Planning for Local Transmission Facilities

The ISO-NE Regional System Planning Process already makes provision for economic planning that encompasses regional transmission facilities. In planning for local transmission facilities, the PTOs similarly will address stakeholder requests for elimination of significant and recurring congestion on local facilities. Stakeholders will be able to supply the relevant data to the PTOs, or to the extent that the congestion costs are known only to ISO-NE, such costs shall be provided to the PTOs consistent with ISO-NE's Information Policy. Finally, the PAC process as it applies to both regional and local facilities needs to provide a process to respond to customer and stakeholder requests for studies.

9. Cost Allocation

a. Requirements

- For a planning process to comply it must address the allocation of costs of new facilities. (P 557)

- The Commission emphasizes that it is not modifying the existing mechanisms to allocate costs for projects. (P 557)

- The cost allocation principle. . . is intended to apply to projects that do not fit under the existing structure, such as regional projects involving several transmission owners or economic projects that are identified through the [economic] study process described above, rather than through individual requests for service. (P 558)

- Stakeholders and Transmission Providers are permitted to determine their own specific criteria which best fit their own experience and regional needs. (P 558)

b. Regional System Planning

Schedule 12 of the ISO-NE OATT, developed in response to Commission Orders in 2002 and 2003 for ISO-NE and NEPOOL to establish a transmission cost allocation process, provides clear rules for the sharing of transmission costs throughout the New England region. Schedule 12 describes the cost allocation treatment of upgrades, modifications or additions to the New England transmission system. Importantly, the PTOs have the Section 205 rights over the methodology by which the costs of upgrades are allocated, pursuant to Section 3.04 of the TOA.

This process also is consistent with the three factors Order No. 890 states the Commission will consider when evaluating a cost allocation dispute.[11] Specifically, Schedule 12 and Schedule 12C allocates the costs for system upgrades that provide a regional benefit across the entire region. Aspects of a project that provide only a localized benefit, however, constitute Localized Costs that may not be included in the Pool Regional Network Service ("RNS") Rate.

Section 4.4 of the Northeastern ISO/RTO Planning Coordination Protocol provides that the cost allocation for elements of the NCSP will be addressed consistent with the applicable provisions of each party's tariff.

c. Planning for Local Transmission Facilities

The ISO-NE OATT (and the PTO local service schedules incorporated therein) already contain Commission-approved cost allocation provisions that address allocation of costs for new facilities.

[11] Order No. 890 (at P 559) provides that "when considering a dispute over cost allocation, exercise our judgment by weighing several factors. First, we consider whether a cost allocation proposal fairly assigns costs among participants, including those who cause them to be incurred and those who otherwise benefit from them. Second, we consider whether a cost allocation proposal provides adequate incentives to construct new transmission. Third, we consider whether the proposal is generally supported by State authorities and participants across the region."

B. Attachment K – Regional Transmission Planning Process

Order No. 890 requires transmission providers to incorporate in their OATTs a new Attachment K that sets forth the transmission planning process. Attachment K must include provisions regarding:

- The process for consulting with customers and neighboring Transmission Providers;
- The notice procedures and anticipated frequency of meetings or planning-related communications;
- A written description of the methodology, criteria, and processes used to develop transmission plans;
- The method of disclosure of transmission plans and related studies and the criteria, assumptions and data underlying those plans and studies;
- The obligations of and methods for customers to submit data to the Transmission Provider;
- The dispute resolution process;
- The Transmission Provider's study procedures for economic upgrades to address congestion or the integration of new resources; and
- The relevant cost allocation procedures or principles.

The provisions addressing each of the numbered items are currently set forth in Sections I.6, II.48, Schedule 12 and Attachment N of the ISO-NE Tariff. As required in Order No. 890, Section II.48 of the OATT will be moved into a new Attachment K, as further revised to comply with the OATT reforms. *See* Attachment 1, appended herein. Section I.6, Schedule 12 and Attachment N will be incorporated by reference, as applicable, in the appropriate provision in Attachment K.

The location of the provisions addressing the transmission planning processes for PTOs' non-PTF local facilities, SSPs, MEPCO and CSC is to be determined.

C. Additional Issues Relating To Planning Reform

1. Independent Third Party Coordinator

Order No. 890 does not require the use of an independent third party coordinator for the transmission planning process. (*See* Order No. 890 at P 567) Nevertheless, the ISO-NE planning process provides necessary and appropriate levels of independence. ISO-NE, with the input of members of PAC, stakeholders and other interested parties, ensures that there is both an independent arbiter of planning needs that also has the knowledge of both markets and system requirements. Through the ISO-NE OATT and the various Transmission Operating Agreements, ISO-NE has the: (1) authority to plan the New England PTF in a level of detail to ensure

national, regional and local reliability criteria are met;[12] and (2) authority to direct New England transmission owners to construct transmission projects identified as needed by ISO-NE.[13] These documents further provide clear cost allocation rules for transmission project constructed in New England.[14]

2. State Commission Participation

Order No. 890 strongly encourages state participation in the transmission planning process and expects that all transmission providers will respect state concerns in the planning process. (P574) The Final Rule does not prescribe a particular level of state participation, but encourages states to determine their own level of participation, consistent with applicable state law. (*See id*.)

As discussed above, Section II.48.2(b) of the ISO-NE OATT provides for a Regional State Committee to participate in the planning process. Representatives of the New England public utility commissions and consumer counsels routinely participate in the ISO-NE planning process, through their participations in the PAC. Such participation has facilitated the construction of needed transmission in New England. Moreover, ISO-NE schedules additional meetings with State officials and representatives of the New England public utility commissions, for instance, to review RSP results as part of its ongoing outreach efforts to the New England States. ISO-NE will continue its outreach efforts to facilitate the participation of the New England States in the transmission planning process.

3. Recovery of Planning Costs

Recognizing the importance of planning cost recovery, Order No. 890 requires transmission providers to develop a mechanism for recovery of transmission planning studies. (P 586) Order No. 890 specifically directed transmission providers to work with other participants in the planning process to develop their cost recovery proposals in order to determine whether all relevant parties, including state agencies, have the ability to recover the costs of participating in the planning process. (*Id*.)

ISO-NE's costs associated with the implementation of the transmission planning process and associated studies are recovered pursuant to Schedule 1 of Section IV.A of the ISO-NE Tariff, which sets forth the provisions applicable to the recovery of ISO-NE's administrative expenses. The costs associated with the ISO-NE Planning Advisory Committee are currently funded by NEPOOL, as the PAC meetings are coordinated and integrated with the NEPOOL Reliability Committee. ISO-NE makes PAC meetings and materials available at no cost.

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12 *See* ISO-NE OATT § II.48.3.
13 *See id*. at § II.48.6,
14 *See id*. at Schedule 12.

Given the proposed expansion of the PAC to include local facility planning concerns, ISO-NE plans to work with transmission providers, stakeholders, state regulators and other interested parties to review the current mechanisms for the recovery of planning-related costs and develop any necessary changes to comply with the Final Rule. Such contemplated changes include, for instance, determining whether there are additional costs for participation, and whether an additional process is needed for interested parties to recover those additional costs associated with their participation in the planning process.

4. Open Season for Joint Ownership

In Order No. 890, the Commission agrees that joint ownership may be useful in certain situations and encourages transmission providers and customers to consider the use of open seasons to realize construction of upgrades identified in planning studies. (P593) Order No. 890, however, does not mandate open season procedures to allow market participants to participate in joint ownership.

ISO-NE Regional System Planning Process does not preclude any transmission-owning entity from participating in building a large new project. The ISO-NE OATT, in fact, allows for merchant transmission development, or elective transmission development to meet other needs beyond reliability or market efficiency needs. In addition, pursuant to the TOA, each PTO that is contractually subject to an obligation to build also has the right to own and construct any new transmission facility located or connected within its existing electric system. This, however, does not preclude the voluntary joint development and ownership of transmission projects, to the extent consistent with applicable state law.

IV. COMMENTS ON REGIONAL AND LOCAL PLANNING PROCESSES

As indicated in Section II above, ISO-NE held meetings with stakeholder representatives of the New England States to discuss the proposed ISO-NE transmission planning "strawman". At these meetings, ISO-NE received comments on its transmission planning process which ISO-NE plans to further discuss with all interested parties. The comments that ISO-NE received at these meetings are the following:

- The planning process should treat demand resources in the transmission planning process in the same manner as regulated transmission solutions.

- ISO-NE should engage in the active planning of demand resources and identify the alternative market solution, instead of participants in the market.

- The costs associated with demand resources should be regionalized in the same manner as the costs for regulated transmission solutions.

- ISO-NE should consider the development of a queue for demand resources similar to the Commission-developed generation interconnection queue.

- ISO-NE should review the gaps between resource adequacy and transmission adequacy.

- ISO-NE should review incentives to promote economic projects paid for by the transmission owners on a merchant basis rather than socialized.

- The need for market efficiency assessments should be driven by requests for reliability must-run agreements.

- To achieve comparability, ISO-NE needs to become a resource for other transmission providers.

- ISO-NE needs to provide additional clarity and transparency regarding the qualification criteria applied in the Regional System Planning Process.

- ISO-NE needs to better explain the method for determining whether to select a transmission solution versus a market solution (resources or merchant transmission).

- The planning process should provide more opportunities for customers and stakeholders to request economic planning studies, including defining a method for selecting and prioritizing studies requested by stakeholders and customers.

- Scoping cost estimates of transmission projects should be provided early in the process to alert the market to a condition, instead of indicating "To Be Determined".

- ISO-NE needs to perform or promote more Inter-Area, NPCC wide, planning that results in selection of the most cost effective projects in neighboring systems. The planning process should be expanded to address cost allocation of interregional projects.

- ISO-NE needs to expand the existing dispute resolution process under Section I.6 of the ISO-NE Tariff to define the issues that may be disputed with respect to transmission planning, and consider a dispute resolution process that applies to interested parties not subject to the ISO-NE Tariff, including state regulators.

ATTACHMENT 1: Draft Attachment K (with blackline formatting to demonstrate proposed changes to current ISO-NE OATT Section II.48) for ISO-NE Regional System Transmission Planning Process, plus referenced provisions from ISO-NE Tariff

[Initial draft for purposes of 5/29 posting requirement]

ATTACHMENT K

~~[RESERVED]~~REGIONAL SYSTEM PLANNING PROCESS

1.1. General: The process defined in this document shall be utilized for regional planning in the ISO. Additional details regarding the planning process are provided in OATT Attachment N. The Regional System Plan (the "RSP"), including the related system enhancement and expansion studies, shall be completed by the ISO. The purpose of the RSP is to identify system reliability, and market efficiency and LFTR-related needs and types of resources that may satisfy such needs so that Market Participants may provide efficient market solutions (*e.g.*, demand-side projects, distributed generation and/or merchant transmission) to identified needs. The purpose of the RSP is also to assess the ability of proposed market solutions to address identified needs with due cognizance of the operational characteristics of those proposed market solutions and to identify a regulated transmission solution to be built by one or more PTO(s) in the event that market responses do not meet identified needs or that additional transmission infrastructure may be required to facilitate the market. That regulated transmission solution shall be modified (in accordance with the

provisions of this ~~Section II.48~~Attachment K) to reflect changes to system conditions including ongoing investments by Market Participants. In completing the RSP, the ISO shall consult with the Planning Advisory Committee. The Planning Advisory Committee shall be established in accordance with the provisions of Section ~~II.1~~48.2 of this ~~OATT~~Attachment, and shall be responsible for the functions identified in that Section.

1.2. Planning Advisory Committee:

(a) Establishment: A Planning Advisory Committee shall be established to perform the functions set forth in Section ~~II.48~~1.2(b) of this Attachment~~OATT~~. It shall have a Chair and Secretary, who shall be appointed by the chief executive officer of the ISO. Before appointing an individual to the position of the Chair or Secretary, the ISO shall notify the Planning Advisory Committee of the proposed assignment and, consistent with its personnel practices, provide any other information about the individual reasonably requested by the Planning Advisory Committee. The chief executive officer of the ISO shall consider the input of the

members of the Planning Advisory Committee in selecting, removing or replacing such officers. The Planning Advisory Committee shall be advisory only and shall have no formal voting protocol.

(b) **Role of Planning Advisory Committee:** The Planning Advisory Committee may provide input and feedback to the ISO concerning the development of the RSP and the conduct of system enhancement and expansion studies. The Planning Advisory Committee serves to facilitate the needs assessment and development of the RSP including input to assumptions for the studies, comment on the results of the needs assessment, identification of potential market responses to the ISO's identification of needs that may have been made known in previous plans or more recent studies presented at the Planning Advisory Committee. Any entity (including state agencies and, if in existence, a Regional State Committee or similarly situated entity) may designate a member to the Planning Advisory Committee by providing written notice to the Secretary of that

Committee identifying the name of the entity represented by the member and the member's name, address, telephone number, facsimile number and electronic mail address. The entity may remove or replace such member at any time by written notice to the Secretary of the Planning Advisory Committee. Based on input and feedback provided by the PAC to the ISO, the ISO shall refer to the Markets and Reliability Committee issues and concerns identified by the PAC for further investigation and consideration of potential changes to rules and procedures.

1.3. RSP: Principles, Scope, and Contents:

(a) Description of RSP: The RSP shall provide an annual assessment of the system needs of the New England Control Area in a consolidated manner, and is designed to maintain the New England Control Area's reliability while accounting for market performance, economic and environmental considerations. At least every three (3) years, the RSP shall reflect the results of a new comprehensive system planning and expansion study conducted

pursuant to Section ~~II.48~~1.4 of this ~~OATT~~Attachment. In other years, the RSP may be only an update to a prior-approved RSP. Comprehensive system enhancement and expansion studies include a needs assessment by the ISO (as described in Section ~~II.48~~1.4(d)) of this ~~OATT~~Attachment, and the ISO analysis of the market and regulated transmission solutions in response thereto (as described in Section ~~II.48~~1.4(e) of this ~~OATT~~Attachment).

(b) **RSP Baseline:** The baseline for the RSP shall account for: (i) all projects that have met milestones, including market responses and regulated transmission determined by the ISO in collaboration with the Planning Advisory Committee, including but not limited to proposed generation and transmission projects, Merchant Transmission Facilities, and Elective Transmission Upgrades (including transmission upgrades that support the award of Incremental ARRs in accordance with Appendix C to Section III of the Tariff); (ii) demand-side projects planned within the New England Control Area and identified to the ISO; and (iii) the requirements for system restoration services. The development of

the RSP will not include development of a system restoration plan (the restoration plan to be developed under a separate process).

(c) RSP Contents: The RSP shall utilize at least a five year planning horizon, and reflect at least five year capacity and load forecasts. The RSP shall identify, based on the results of system enhancement and expansion studies conducted pursuant to Section ~~II.48~~1.4 of this ~~OATT~~Attachment, a list of proposed Reliability Transmission Upgrades, Market Efficiency Transmission Upgrades and LFTR-Related Upgrades to the New England Transmission System for at least each of the ensuing five years, not otherwise proposed as Merchant Transmission Facilities or Elective Transmission Upgrades, that are determined by the ISO to be appropriate at the time of the issuance of the Plan (collectively referred to as "Transmission Upgrades"). Each RSP shall also include the list of Transmission Upgrades included in the prior RSP (including the prior New England Regional Transmission Expansion Plan), as updated, that have not been completed at that time. The lists of Transmission Upgrades shall identify separately:

(i) Reliability Transmission Upgrades, and (ii) Market Efficiency Transmission Upgrades; and (iii) LFTR-Related Upgrades. The RSP shall describe the projected improvements to the bulk power system that are needed to maintain system reliability and operation of efficient markets and preservation of ongoing feasibility of LFTRs under a set of planning assumptions. The RSP shall provide sufficient information, based on the results of system enhancement and expansion studies conducted pursuant to Section ~~II.48~~1.4 of this ~~OATT~~Attachment, to allow members of the PAC to assess the quantity, general locations, operating characteristics and required availability criteria of the type of incremental supply or demand-side resources that would satisfy the identified need or that may serve to modify, offset or defer proposed regulated transmission upgrades. The RSP shall also list transmission facilities (as determined under the ISO interconnection process specified in this OATT) to be built to accommodate new generation, merchant transmission, and elective transmission interconnections that have satisfied the requirements of this OATT.

The RSP shall also include a description of the reasons for any new Transmission Upgrades proposed in the RSP, any change in status of a Transmission Upgrade in the RSP, or for any removal of Transmission Upgrades from the RSP pursuant to Section ~~II.48~~1.5 of this ~~OATT~~Attachment.

(d) Additions and Removals of Transmission Upgrades: A Transmission Upgrade may be added to the RSP by the ISO at any time in a given year (in accordance with the procedures specified in Section ~~II.48~~1.5 of this ~~OATT~~Attachment) or in a subsequent year's RSP and in doing so the ISO shall consult with and consider input from the Planning Advisory Committee, within the scope of its respective functions as specified in Section ~~II.48~~1.2 of this ~~OATT~~Attachment. Similarly, a Transmission Upgrade may be removed from the RSP by the ISO at any time in a given year (in accordance with the procedures specified in Section ~~II.48~~1.5 of this ~~OATT~~Attachment) or in a subsequent year's RSP if the market responds by developing credible alternative generation projects, demand-side projects, or Merchant Transmission Facilities in

accordance with Section ~~II.48~~1.7 of this ~~OATT~~Attachment, or other circumstances arise such that the need for the Transmission Upgrade no longer exists, or if the Transmission Upgrade is no longer feasible, and in doing so the ISO shall consult with and consider input from the Planning Advisory Committee, within the scope of its functions as specified in Section ~~II.48~~1.2 of this ~~OATT~~Attachment; provided that (if the Transmission Upgrade is removed from the RSP by the ISO) the entity responsible for the construction of the Transmission Upgrade is reimbursed for any costs prudently incurred or prudently committed to be incurred (plus a reasonable return on investment at existing FERC-approved ROE levels) in connection with the planning, designing, engineering, permitting, procuring and other preparation for construction, and/or construction of the Transmission Upgrades proposed for removal from the RSP. The cost allocation specified in Schedule 12 of this OATT shall apply to this cost reimbursement. Prior to finalizing the RSP, the ISO will provide all PTOs and other stakeholders with detailed reasons in writing

for each removal of a Transmission Upgrade included in prior RSPs or change in status from the most recent RSP.

(e) **RSP Parameters:** The RSP shall conform to: Good Utility Practice; applicable Commission compliance requirements related to the RSP process: applicable reliability principles, guidelines, criteria, rules, procedures and standards of NERC, NPCC, and any of their successors; planning criteria adopted and/or developed by the ISO; Transmission Owner criteria, rules, standards, guides and policies developed by the Transmission Owner for its facilities consistent with the ISO planning criteria, the applicable criteria of NERC and the criteria of area reliability counsels; local transmission planning criteria; and the ISO New England Planning Procedures and ISO New England Operating Procedures, as they may be amended from time to time.

(f) **Other RSP Principles:** The RSP shall be designed and implemented to (i) avoid unnecessary duplication of facilities; (ii) avoid the imposition of unreasonable costs upon any Transmission

Owner, Transmission Customer or other user of a transmission facility; (iii) take into account the legal and contractual rights and obligations of the Transmission Owners and the transmission-related legal and contractual rights and obligations of any other entity; (iv) provide for coordination with existing transmission systems and with appropriate interregional and local expansion plans; (v) properly coordinate with market responses, including generation, merchant transmission and demand-side responses; and (vi) maintain the ongoing feasibility of LFTRs.

1.4. Procedures for the Conduct of System Enhancement and Expansion Studies:

(a) Relation Between System Enhancement and Expansion Studies and the RSP: System enhancement and expansion studies shall be conducted in accordance with the procedures set forth in this Section ~~II.48~~1.4 of this ~~OATT~~Attachment. The results of these studies shall be reflected in the RSP.

(b) Study Cycle: The ISO shall initiate system enhancement and expansion studies at least once every three years. A more targeted

study shall be conducted if: (i) a need for additional transfer capability is identified by the ISO in its evaluation of requests for firm transmission service with a term of one year or more or as a result of the ISO's ongoing evaluation of the bulk power supply system's adequacy and performance; (ii) a need for additional transfer capability is identified as a result of the NERC and/or NPCC reliability assessment or more stringent publicly available local reliability criteria, if any; or (iii) constraints or available transfer capability limitations, including, but not limited to, available transfer capability diminishment that prevents the ongoing feasibility of LFTRs, that are identified possibly as a result of generation additions or retirements, evaluation of load forecasts or proposals for the addition of transmission facilities in the New England Control Area. A system enhancement and expansion study may also be initiated for any other circumstances which may warrant such a study.

(c) **Notice of Initiation:** Written notice of the initiation of a system enhancement and expansion study shall be provided to all

members of the Planning Advisory Committee. That notice shall identify the needs supporting the initiation of the study.

(d) Preparation of Needs Assessment: The ISO shall prepare a needs assessment that may examine resource adequacy, transmission adequacy, maintenance of ongoing feasibility of LFTRs, and projected congestion levels, and that considers the views, if any, of the PAC, NEPOOL, state regulators, the Market Advisor to the ISO Board of Directors, and the ISO Board of Directors. PTOs shall identify any needs relating to its transmission facilities (of whatever voltage) that could affect the provision of regional transmission service. Meetings of the Planning Advisory Committee shall be convened to identify additional considerations relating to such a system enhancement and expansion study that were not identified in support of initiating the study, and to provide input on the study's scope, assumptions and procedures, consistent with the responsibilities of the Planning Advisory Committee as set forth in Section ~~II.48~~1.2 of this ~~OATT~~Attachment. The needs assessment will identify situations

that significantly affect the efficient operation of the ISO bulk power system, and any critical time constraints for addressing reliability needs. The criteria for determining which market efficiency needs shall be included in the completed needs assessment, and for assessing the cost-effectiveness of solutions proposed in response thereto, will be developed by the ISO with input from the Planning Advisory Committee. A subcommittee of the ISO Board of Directors will convene a public meeting to review the proposed needs assessment as a part of the RSP.

(e) Publication of Needs Assessment and Response Thereto: As part of the RSP, the ISO shall publish the completed needs assessment on its website, that may include both reliability needs as well as projected congestion levels under various conditions and LFTR feasibility needs, and issue a final RSP report that also serves as an identification of requirements and characteristics for market solutions that can meet the needs described in the assessment. The ISO will also present the results in appropriate market forums to facilitate market responses. The affected PTO(s)

will provide a regulated transmission proposal(s) in response to the ISO's needs assessment for all identified needs and in response to market solutions which develop in response to the identification of needs, and shall identify any local transmission plans that require coordination with its regulated transmission proposals addressing regional needs.

(f) Evaluation of Responses: Upon receipt of the market responses to the identification of needs, the ISO shall (with input from the Planning Advisory Committee) evaluate such responses to determine whether, and to what extent, any such response will meet the identified needs. The evaluation shall be premised on the goals of maintaining reliability and reducing congestion where economically justified under the criteria developed in accordance with Section ~~II.48~~1.4(d) of this ~~OATT~~ Attachment above. If the market response (including merchant transmission) is determined by the ISO to be sufficient to alleviate the need for a particular Transmission Upgrade, and is judged to be achievable within the required time period, the ISO will reflect this finding (without

selecting a particular market proposal) in its updates or recommended RSP to be submitted to the ISO Board for approval, and that particular additional Transmission Upgrade will be listed in the recommended RSP, subject to the ISO having the flexibility to indicate that the project should proceed at a later date. If the market response (including merchant transmission) is determined by the ISO to be insufficient to alleviate the need for a Transmission Upgrade, that Transmission Upgrade will be listed or modified in the recommended RSP (assuming that it is considered viable from both a timeliness and a financial standpoint) with an indication to begin development in accordance with Section ~~II.48~~1.3(c) of this ~~OATT~~Attachment, together with the information required therein. Prior to finalizing the RSP, the ISO will provide PTOs and other stakeholders with detailed reasons in writing for including each Transmission Upgrade in the RSP, or modifying the status of a Transmission Upgrade from the most recent RSP.

(g) Publication of Results and Incorporation in RSP: The results of the system enhancement and expansion study(ies), along with a

discussion of the study assumptions and input(s), shall be made public and shall be included as part of the next annual RSP in accordance with Sections ~~II.48~~1.3 and ~~II.48~~1.5 of this ~~OATT~~Attachment.

1.5. Procedures for Development, Approval and Interim Modification of the RSP:

(a) Initiation of RSP: At the initiation of an effort to update an RSP or develop a new RSP, the ISO shall solicit input on regional needs for the updated or new RSP from members of the Planning Advisory Committee. The Planning Advisory Committee shall meet to perform its respective functions in connection with the preparation of the RSP, as specified in Section ~~II.48~~1.2 of this ~~OATT~~Attachment. Thereafter, drafts of the RSP shall be provided to the Planning Advisory Committee and input from that Committee shall be received and considered in preparing and revising subsequent drafts.

(b) **Supply of Information and Data:** The Transmission Owners, those entities requesting transmission service or interconnection, and any other entities proposing to provide facilities to be integrated into the New England Control Area or alternatives to such facilities shall supply upon request and subject to applicable confidentiality requirements of the ISO New England Information Policy/Code of Conduct any information (including cost estimates) and data reasonably required to prepare an RSP or to perform a transmission enhancement and expansion study. Any other information or data provided shall be subject to the rights and obligations of the ISO New England Information Policy/Code of Conduct.

(c) **Draft RSP:** A draft of a recommended Plan shall be presented at least annually by the ISO staff to the ISO Board of Directors for approval. The draft RSP shall incorporate the results of any expansion and enhancement studies performed since the last RSP was approved. A subcommittee of that Board shall hold a public meeting, at their discretion but at least annually, to receive input

directly and to discuss any proposed revisions to the RSP. Interim updates to the RSP made in accordance with the procedures set forth in Section ~~II.48~~1.5(e) of this ~~OATT~~ Attachment may be treated as an addition or removal of an Upgrade from the Plan under Section ~~II.48~~1.3(d) of this ~~OATT~~Attachment. The final recommended RSP shall be presented to the ISO Board of Directors no later than September 30 of each year and shall be acted on by the Board within 60 days of receipt.

(d) Action by the ISO Board of Directors on RSP; Request for Alternative Proposals:

(i) The ISO Board of Directors may approve the recommended RSP as submitted, modify the RSP or remand all or any portion of it back with guidance for development of a revised recommendation in accordance with this Section ~~II.48~~1.5 of this ~~OATT~~Attachment. The Board of Directors may consider the RSP in executive session, and shall consider in its deliberations the views of the subcommittee

of the Board of Directors reflecting the public meeting held pursuant to Section ~~II.48~~1.5(c) of this ~~OATT~~Attachment. In considering whether to include a particular Market Efficiency Transmission Upgrade in the approved RSP, the Board of Directors shall consider the relative severity of the congestion addressed by that Market Efficiency Transmission Upgrade. In considering whether to approve the recommended RSP, the Board of Directors may, if it finds a proposed Reliability Transmission Upgrade not to be viable from a timeliness or financial standpoint, or if no Reliability Transmission Upgrade has been proposed, direct the ISO staff to meet with the affected load serving entities and State entities in order to develop an interim solution. Should that effort fail, the Board of Directors may direct the ISO to issue a RFAP, subject to the procedures described below, and may withhold approval of the RSP, or portions of the RSP, pending the results of that RFAP and any Commission action on any resulting jurisdictional

contract or funding mechanism. The ISO shall provide a written explanation as to any changes or modification made in the final version of the RSP.

(ii) The RFAP shall seek generation, demand-side and merchant transmission alternatives that can be implemented rapidly and provide substantial reliability benefits over the period solicited in the RFAP, and normally will focus on an interim ("gap") solution until an identified Reliability Transmission Upgrade has been placed in-service. The ISO will file a proposed RFAP with the Commission for approval at least 60 days prior to its issuance. The filing shall explain why the issuance of an RFAP is necessary.

(iii) The ISO staff shall provide the Board of Directors and subject to confidentiality requirements, the Planning Advisory Committee with an analysis of the alternatives offered in response to the RFAP, and provide a

recommendation together with a funding mechanism reflecting input from the Planning Advisory Committee.

(iv) The ISO may enter into contracts awarded pursuant to an RFAP process, and/or propose a funding mechanism. Bidders that are awarded contracts through the RFAP process shall file those contracts with the Commission for approval of the rates to be charged thereunder to the extent that such contracts are for services that are jurisdictional to the Commission. The ISO shall file related or separate funding mechanisms with the Commission as well. All other contracts entered into pursuant to an RFAP shall be filed with the Commission for informational purposes.

(v) The Board of Directors will reflect the results of the RFAP process in the approved RSP.

(e) Procedures for Interim Modification of RSP: A Transmission Upgrade meeting criteria established by the ISO in consultation with the Planning Advisory Committee may be added to the RSP

anytime during a year by the ISO following posting of a description of the Transmission Upgrade on the ISO website and transmittal of the description to the members of the Planning Advisory Committee and Reliability Committee. Other Transmission Upgrades exceeding these criteria shall be presented to the Planning Advisory Committee and Reliability Committee for comment, posted on the ISO website, and considered by the ISO Board of Directors using the procedures set forth in Section ~~II.48~~1.5(c) and (d) of this ~~OATT~~Attachment. In the event that the estimated cost of a proposed Upgrade exceeds the criteria posted (criteria which shall be reviewed annually by the ISO and reset as it reasonably deems appropriate but initially set at $20 million), a member of a subcommittee of the ISO's Board will attend such meeting at which the ISO will seek the Reliability Committee's advice on the inclusion of the proposed Transmission Upgrade into the Regional System Plan. An approval of the interim Regional System Plan by the ISO shall have the same effect with regard to cost reimbursement and with regard to inclusion or removal of a

Transmission Upgrade from the Regional System Plan as an approval of the Regional System Plan made by the ISO's Board of Directors pursuant to Section ~~II.48~~1.5(c) of this ~~OATT~~Attachment.

(f) Inter-Area Coordination: The RSP shall be developed in coordination with the similar plans of the surrounding RTOs and Control Areas pursuant to the Northeastern ISO/RTO Planning Coordination Protocol. Inter-Area planning studies shall be conducted over as broad a region as feasible, including adjacent Canadian systems who are members of NPCC, MAAC and ECAR, the ISO shall convene periodic meetings of the Planning Advisory Committee, within the scope of its respective functions of Section ~~II.48~~1.2 of this ~~OATT~~Attachment, to focus to provide input and feedback to the ISO concerning an Inter-Area needs assessment and identification of potential market and regulated responses to the ISO's identification of Inter-Area needs.

(g) Cost Responsibility for Transmission Upgrades: The cost responsibility for each Transmission Upgrade that is listed in the

RSP shall be determined in accordance with Schedule 12 of this OATT.

(h) Allocation of Incremental ARRs: The allocation of Incremental ARRs in connection with Transmission Upgrades is addressed in Section III.C.8 of the Tariff.

1.6. Obligations of PTOs to Build; PTOs' Obligations, Conditions and Rights:

(a) In accordance with the TOA, PTOs designated by the ISO as the appropriate entities to construct and own or finance Transmission Upgrades included in the RSP shall construct and own or finance such facilities or enter into appropriate contracts to fulfill such obligations. In the event that a PTO: (i) does not construct or indicates in writing that it does not intend to construct a Transmission Upgrade included in the RSP; or (ii) demonstrates that it has failed (after making a good faith effort) to obtain necessary approvals or property rights under applicable law, the ISO shall promptly file with the Commission a report on the results of the planning process, which report shall include a report from

the PTO responsible for the planning, design or construction of such Transmission Upgrade, in order to permit the Commission to determine what action, if any, it should take.

(b) In connection with regional system planning, the ISO will not propose to impose any PTO obligations or conditions that are inconsistent with the explicit provisions of the TOA or deprive any PTO of any of the rights set forth in the TOA.

(c) Subject to necessary approvals and compliance with Section 2.06 of the TOA, nothing in this OATT shall affect the right of any PTO to expand or modify its transmission facilities in the New England Transmission System on its own initiative or in response to an order of an appropriate regulatory authority. Such expansions or modifications shall conform with: (a) Good Utility Practice; (b) applicable reliability principles, guidelines, criteria, rules, procedures and standards of national, regional, and local reliability councils that may be in existence; and (c) the ISO and relevant PTO criteria, rules, standards, guides and policies. The ISO

reserves its right to challenge the permitting of such expansions or modifications.

1.7. Merchant Transmission Facilities:

(a) **General:** Subject to compliance with the requirements of the Transmission, Markets and Services Tariff and any other applicable requirements with respect to the interconnection of bulk power facilities with the New England Transmission System, any entity shall have the right to propose and construct the addition of transmission facilities ("Merchant Transmission Facilities"), none of the costs of which shall be covered under the cost allocation provisions of this OATT. Any such Merchant Transmission Facilities shall be subject to the requirements of Section ~~II.48~~1.7(b) of this ~~OATT~~Attachment. In performing studies in connection with the RSP, the prospect that proposed Merchant Transmission Facilities will be completed shall be accounted for as will the prospect that proposed generating units will be completed.

(b) Operation and Integration: All Merchant Transmission Facilities shall be subject to: (i) an agreement ~~(as specified in Attachment K of this OATT)~~ to transfer to the ISO operational control authority over any facilities which constitute part of the Merchant Transmission Facilities that are to be integrated with, or that will affect, the New England Transmission System; and (ii) taking such other action as may be required to make the facility available for use as part of the New England Transmission System.

(c) Control and Coordination: Until such time as an MTO has transferred operational control over its MTF to the ISO pursuant to Section ~~II.48~~1.7(b)(i), all such MTF shall be subject to the operational control, scheduling and maintenance coordination of the System Operator in accordance with the Tariff. [Proposed Change]

1.8. Alternative Remedies: Nothing herein shall limit in any way the right of any entity to seek any available relief pursuant to the provisions of the Federal Power Act.

Current ISO-NE Tariff Section I.6 (Referenced in Attachment K Strawman)

liability or ISO indemnification payment. The obligations of each Customer to indemnify the ISO, Transmission Owners and Schedule 20A Service Providers shall be several, and not joint or joint and several.

I.6 Dispute Resolution: Any dispute arising under this Tariff shall be the subject of good-faith negotiations among the ISO, the Transmission Owner, the Schedule 20A Service Provider, and a Customer, as applicable, unless otherwise stated in this Tariff, except that disputes concerning Schedules 18, 20 and 21 shall be resolved directly between the Customer and the MTO, OTO, Schedule 20A Service Provider or PTO, as applicable, using the procedures specified below. Each affected party shall designate one or more representatives with the authority to negotiate the matter in dispute to participate in such negotiations. The affected parties shall engage in such good-faith negotiations for a period of not less than sixty (60) calendar days, unless: (a) a party identifies exigent circumstances reasonably requiring expedited resolution of the dispute by the Commission or a court or agency with jurisdiction over the dispute; or (b) the provisions of this Tariff otherwise provide a party the right to submit a dispute directly to the Commission for resolution. Any other dispute that is not resolved through good-faith negotiations may be submitted by any party for resolution to the Commission, to a court or to an agency with jurisdiction over the dispute upon the conclusion of such

negotiations. Any party may request that any dispute submitted to the Commission for resolution be subject to the Commission's settlement procedures. Notwithstanding the foregoing, any dispute arising under this Tariff may be submitted to arbitration or any other form of alternative dispute resolution upon the agreement of all affected parties to participate in such an alternative dispute resolution process.

I.7 Creditworthiness: Exhibits IA through ID to Section I of the OATT provide the ISO's credit review procedures and the types of security that are acceptable to the ISO to protect against the risk of non-payment, and shall be binding upon Customers.

I.8 Rights Under The Federal Power Act: Nothing in this Tariff shall restrict the rights of any party to exercise its rights under relevant provisions of the Federal Power Act.

I.9 Pre-Existing Contracts: To the extent that Customers are parties to pre-existing wholesale power or transmission service contracts effective as of the Operations Date, and further, to the extent that provisions in such pre-existing wholesale power or transmission service contracts make reference to the Restated New England Power Pool Agreement ("RNA"), then such provisions shall remain in effect but the references to the

Current ISO-NE OATT Schedule 12 (Referenced in Attachment K Strawman)

SCHEDULE 12

TRANSMISSION COST ALLOCATION ON AND AFTER JANUARY 1, 2004

This Schedule 12 describes the cost allocation treatment of upgrades, modifications or additions to the transmission system in New England on and after January 1, 2004. Nothing in this Schedule 12 shall eliminate the PTF status of transmission facilities that were PTF on December 31, 2003; and any upgrades to such facilities that continue to meet the definition of PTF specified in this OATT shall be classified as PTF for all purposes under this OATT. The costs of all upgrades to the Highgate Transmission Facilities will be treated as HTF and allocated according to this schedule, as may be amended from time to time, provided that such HTF upgrades shall not be limited by Appendix B to Attachment F Implementation Rule under this OATT if classified as Regional Benefit Upgrades.

A. Process for Categorizing Upgrades for Cost Allocation:

Upgrades, modifications or additions to the New England Transmission System shall be categorized by the ISO, with advisory input from the Reliability Committee and the Planning Advisory Committee, as appropriate. A list of categorized Transmission Upgrades shall be made part of each annual and interim RSP, subject to the provisions of Section II.48 of this OATT.

B. Transmission Cost Allocation By Category:

1. Generator Interconnection Related Upgrades:

The cost for all Generator Interconnection Related Upgrades shall be allocated pursuant to Schedule 11 of this OATT.

2. Elective Transmission Upgrades:

The cost for all Elective Transmission Upgrades shall not be included in the Pool-Supported PTF costs recoverable under this OATT, but shall be allocated solely to the entity or entities volunteering to make and pay for such Elective Transmission Upgrades.

3. NEMA Upgrades:

The cost for all NEMA Upgrades shall be included in the Pool-Supported PTF costs recoverable under this Tariff for so long as such Transmission Upgrades continue to meet the definition of PTF under this OATT and allocated to Transmission Customers taking service under this OATT.

4. RTEP02 Upgrades:

The costs for all RTEP02 Upgrades placed in service on or before December 20, 2007, shall be included in the Pool-Supported PTF costs recoverable under this OATT for so long as such Transmission Upgrades continue to meet the definition of PTF under this OATT and allocated to Transmission Customers taking service under this OATT.

5. Regional Benefit Upgrades:

The cost for all Regional Benefit Upgrades, as well as all transmission facilities that were PTF as of December 31, 2003 and upgrades to such facilities that meet the definition of PTF under this OATT, shall be included in the Pool-Supported PTF costs recoverable under this OATT for so long as such Transmission Upgrades and such existing PTF continue to meet the definition of PTF under this OATT and allocated to Transmission Customers taking service under this OATT. Market Efficiency Transmission Upgrades that are not RBUs shall not be included in the Pool-Supported PTF Costs recoverable under this OATT.

6. Local Benefit Upgrades:

The cost for Local Benefit Upgrades shall not be included in the Pool-Supported PTF costs recoverable under this OATT.

7. Localized Costs:

Localized Costs shall not be included in the Pool-Supported PTF costs recoverable under this OATT, but instead the responsibility for Localized Costs related to any RTEP02 Upgrades and any Regional Benefit Upgrades shall be the responsibility of the entity or entities causing or subject to such Localized Costs. The System Operator, in accordance with Schedule 12C of this OATT, shall review RTEP02 Upgrades and Regional Benefit Upgrades and identify any Localized Costs associated with them.

C. Merchant Transmission Facilities Cost Allocation

The cost of all Merchant Transmission Facilities, including the cost of Transmission Upgrades required to interconnect the Merchant Transmission Facilities to the PTF, shall be the responsibility of the developer of the Merchant Transmission Facilities, and shall not be included in the Pool-Supported PTF costs recoverable under this OATT.

Current ISO-NE OATT Attachment N (Referenced in Attachment K Strawman)

ATTACHMENT N

PROCEDURES FOR REGIONAL SYSTEM PLAN UPGRADES

I. INTRODUCTION

Pursuant to Part II.G of the ISO New England Open Access Transmission Tariff (the "Tariff") (Sections II.46 – II.48) and this Procedure, the ISO shall classify upgrades as Reliability Transmission Upgrades and Market Efficiency Transmission Upgrades during the Regional System Plan ("RSP") process. Pursuant to established standards, that process is designed to collect and reflect broad input from all stakeholders through the Planning Advisory Committee ("PAC"). The PAC is composed of a wide variety of regional stakeholders, including Governance Participants (such as generator owners, marketers, load serving entities, merchant transmission owners and participating transmission owners), governmental representatives, public interest groups, state agencies (including those participating in the New England Conference of Public Utilities Commissioners), retail customers, representatives of local communities, and consultants. The PAC meets regularly throughout the year.

This procedure describes the standards used by the ISO to identify Reliability Transmission Upgrades and Market Efficiency Transmission Upgrades and the process for making such identifications pursuant to Part II.G of the Tariff.

The ISO may amend these standards and procedures from time to time, as appropriate, with input from the Reliability Committee and PAC.

II. STANDARDS FOR IDENTIFYING RELIABILITY TRANSMISSION UPGRADES AND MARKET EFFICIENCY TRANSMISSION UPGRADES

A. Identification of Reliability Transmission Upgrades

Reliability Transmission Upgrades are those upgrades necessary to ensure the continued reliability of the New England Transmission System based on applicable reliability standards. In applying the applicable reliability standards, some of the considerations that will be taken into account are as follows:

- available supply and transmission (*i.e.*, known resource changes, which includes anticipated transmission enhancements (considering Elective Transmission Upgrades and Merchant Transmission Facilities), demand side resources, and new, retired or unavailable generators);

- load growth;

- acceptable stability response;

- acceptable short circuit capability;

- acceptable voltage levels;

- adequate thermal capability; and

- acceptable system operability and responses (e.g. automatic operations, voltage changes).

To identify the transmission system facilities required to maintain reliability and system performance consistent with the applicable reliability standards, the ISO shall:

- determine whether the above factors are met using reasonable assumptions for certain amounts of forecasted load growth, and generation and transmission facility availability (due to maintenance, forced outages, or other unavailability); and

- rely on Good Utility Practice, applicable reliability standards, and the ISO System Rules.

A Reliability Transmission Upgrade is not an Upgrade required by the interconnection of a generator except to the extent determined under the terms of Schedule 11 to the Tariff. A Reliability Transmission Upgrade may also provide market efficiency benefits.

B. Identification of Market Efficiency Transmission Upgrades

Market Efficiency Transmission Upgrades are upgrades designed primarily to provide a net reduction in total production cost to supply the system load. Proposed Market Efficiency Transmission Upgrades shall be identified by the ISO where the net present value of the net

reduction in total cost to supply the system load, as determined by the ISO, exceeds the net present value of the carrying cost of the identified transmission upgrade.

An upgrade identified as a Reliability Transmission Upgrade may qualify for interim treatment as a Market Efficiency Transmission Upgrade if market efficiency is used to influence the schedule for the implementation of the upgrade. Such opportunities shall be identified by the ISO when the net present value of the reduction to total production cost to supply the system load, as determined by the ISO, exceeds the net present value of the Reliability Transmission Upgrade after it is advanced less the net present value of the upgrade for when it is projected to be needed for reliability.

1. Base Economic Evaluation Model

In making a determination of the net present value of bulk power system resource costs, the ISO shall take into account applicable economic factors that shall include the following projected factors:

- energy costs;
- capacity costs;
- cost of supplying total operating reserve;
- system losses;
- available supply and transmission (*i.e.*, known resource changes, which includes anticipated transmission enhancements (considering Elective Transmission Upgrades and Merchant Transmission Facilities), demand side resources and new, retired or unavailable generators);
- load growth;
- fuel costs;
- fuel availability;
- generator availability;

- release of bottled generating resources;
- present worth factors for each project specific to the owner of the project;
- present worth period not to exceed ten years; and
- cost of the project.

Analysis may include utilization of historical information such as may be included in market reports as well as special studies and should report cumulative net present value annually over the study period.

2. Other Data Provided to Stakeholders

Although not used to evaluate the net economic benefit of the system Upgrade, analysis may be provided to illustrate the net cost to load with and without the transmission upgrade – considering additional factors such as locational ICAP, congestion costs, and impacts on bilateral prices for electricity.

Summary

Based on information provided through such analysis and pursuant to the factors listed in (1) above, the ISO, in consultation with the PAC, will identify Market Efficiency Transmission Upgrades to be included in the RSP. If however, during the course of their analysis, the ISO determines that without the project the applicable reliability standards will not be met, then the project will be designated as a Reliability Transmission Upgrade and included in the RSP as such.

III. PROCEDURES FOR IDENTIFYING RELIABILITY TRANSMISSION UPGRADES AND MARKET EFFICIENCY TRANSMISSION UPGRADES

A. ISO Identification of Needs for Reliability Transmission Upgrades and Market Efficiency Transmission Upgrade

1. An assessment of the adequacy of the region's electric system.

On a regular and on-going basis, the ISO shall conduct studies to identify the location and nature of any potential problems on the New England Transmission System. These assessments shall be conducted to identify those factors relevant to the standards for identifying needs which might be solved or mitigated by Reliability Transmission Upgrades and Market Efficiency Transmission Upgrades, as specified in Section II of this Procedure.

The ISO will publish its identification of such relevant factors on the New England Transmission System on its website and to the PAC, thereby providing market signals for generation, merchant transmission and load responses to develop and implement market-based solutions for the relief of actual and projected system reliability concerns, transmission constraints and market inefficiencies. The ISO will also present the results of its assessments in appropriate market forums to facilitate market responses to those needs. Market responses having met appropriate milestones pursuant to Section II.48.3(b) of the Tariff will be included in studies to assess the effects of such market responses on the identified problems with reliability and market inefficiencies.

Based on input and feedback provided by the PAC, the ISO shall refer to the Markets Committee and Reliability Committee issues and concerns identified by the PAC for further investigations and consideration of potential changes to rules and procedures.

2. Adequacy of the market responses, and as necessary, adequacy of Reliability Transmission Upgrades and Market Efficiency Transmission Upgrades

The ISO shall assess the adequacy of proposed market responses in addressing identified system needs. The ISO shall also ensure that there are no significant adverse effects associated with such market responses, pursuant to Section I.3.9 of the Tariff and Planning Procedure 5-3, “Guidelines for Conducting and Evaluating Proposed Plan Application Analysis”.

If the market does not respond with adequate solutions to address the system needs identified by the ISO, the ISO shall present a coordinated transmission plan in the RSP that identifies appropriate projects for addressing both reliability and market efficiency needs.

This coordinated plan is updated by the ISO as market responses to identified problems are developed. Reliability Transmission Upgrades and Market Efficiency Transmission Upgrades are implemented only after market solutions have been given first consideration.

3. Periodic Updates to the RSP

A Reliability Transmission Upgrade or Market Efficiency Transmission Upgrade may be added to the RSP at any time in a given year, and in doing so the ISO shall consult with and consider input from the PAC and the Reliability Committee, within the scope of their respective functions.

The time required to implement transmission projects, however, is often longer than that needed for market-based solutions. Thus, the RSP process recognizes that a new market response could result in a deferral or a significant change in the proposed timing and/or configuration of a Reliability Transmission Upgrade or Market Efficiency Transmission Upgrades. Also, a needed Reliability Transmission Upgrade or Market Efficiency Transmission Upgrade may become delayed due to other factors.

As a result, the ISO may remove or defer a Reliability Transmission Upgrade or Market Efficiency Transmission Upgrade project from the RSP at any time in a given year, if the market responds by developing credible market-based solutions, or other circumstances arise that impact the need for the Transmission Upgrade. If market-based solutions have not met appropriate milestones prior to significant sunk transmission expense being made to provide the Reliability Transmission Upgrade or Market Efficiency Transmission Upgrade, then the ISO will assess the risks and costs associated with adding or advancing a transmission project from the RSP. The ISO shall consult with and consider input from the PAC and the Reliability Committee with regard to such changes in the RSP. In the event that a transmission project is removed, deferred, added or advanced, the ISO shall promptly notify the affected Participating Transmission Owners.

IV. COST-EFFECTIVENESS AND COST ALLOCATION DETERMINATION OF RELIABILITY TRANSMISSION UPGRADES AND MARKET EFFICIENCY TRANSMISSION UPGRADES

The cost-effectiveness and cost allocation of identified Reliability Transmission Upgrades and Market Efficiency Transmission Upgrades will be determined pursuant to the Tariff, Section II.48; Schedule 12; and Planning Procedure 4. The level of detail needed to fulfill the requirements of the RSP process and Planning Procedure 4 will ensure that, in addition to a determination of Pool-supported PTF costs and Localized Costs, the planning and stakeholder review processes will include a comprehensive examination of all Transmission Upgrade construction alternatives and their associated costs and will thus evaluate the cost-effectiveness of each Transmission Upgrade and its potential alternatives.

ATTACHMENT 2: Schedule 20A Service Providers' Phase I/II HVDC Transmission Facilities Transmission Planning Strawman

SCHEDULE 20A SERVICE PROVIDERS
PHASE I/II HVDC TRANSMISSION FACILITIES

TRANSMISSION PLANNING STRAWMAN
IN COMPLIANCE WITH FERC ORDER NO. 890
May 29, 2007

Introduction

The Schedule 20A Service Providers ("SSPs")[1] are Transmission Providers under Schedule 20A of the ISO-NE OATT. The SSPs are comprised of a subset of the Interconnection Rights Holders ("IRH"). Under support agreements, each of the IRH members holds a firm, irrevocable share of the obligations to support the Phase I/II HVDC Interconnection between Quebec, Canada and New England ("Phase I/II Interconnection")[2]. Each member also has exclusive rights to a share of the transmission capacity over the Interconnection roughly equal to its support obligations. The SSPs are those IRH members who have filed rate schedules to provide open access transmission services under the ISO-NE OATT. Pursuant to the HVDC Transmission Operating Agreement ("HVDC TOA"), the Phase I/II Interconnection is under the operational control of ISO-NE. However, it is not a PTF facility and therefore could be deemed to be a "local" facility pursuant to Paragraph 440 of the Commission's Order No. 890. Since Order No. 890 requires that all Transmission Providers post a transmission planning "strawman", the SSPs are hereby providing their collective strawman for the Phase I/II Interconnection.

The SSPs are both Transmission Providers and IRH members, but they neither own nor control the Phase I/II Interconnection facilities. As explained in the joint IRH members and SSPs' comments to the Commission's NOPR in this proceeding[3], the IRH members have no contractual rights or obligations to expand the Phase I/II Interconnection facilities. Under the terms of the HVDC TOA, however, the asset owners[4] of the Phase I/II Interconnection have agreed to support ISO-NE's regional transmission planning process and have agreed to assume contractual obligations to build upgrades to the Phase I/II Interconnection necessary to preserve existing levels of reliability, so long as such obligation would not require the Asset Owners to violate any applicable restrictions in the support agreements, equity funding agreements or financing arrangements. Thus to the extent that the ISO-NE planning process is expanded to include

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1 Bangor Hydro-Electric Company ("BHE") (BHE offers the Use Rights of PPL EnergyPlus, LLC under Schedule 20A); NSTAR Electric Company; Central Maine Power Company; Central Vermont Public Service Corp. ("CVPS") (CVPS offers the Use Rights of Fitchburg Gas and Electric Light Company and UNITIL Power Corp., under Schedule 20A); Green Mountain Power Corp.; New England Power Company; Northeast Utilities Service Company (on behalf of The Connecticut Light and Power Company, Western Massachusetts Electric Company, Holyoke Power and Electric Company, Holyoke Water Power Company, and Public Service Company of New Hampshire); The United Illuminating Company; and Vermont Electric Cooperative.

2 Phase I and II are two segments of a single, high voltage direct current ("HVDC") interconnector that runs from the U.S.-Canadian international border to the Sandy Pond DC converter near Ayer, Massachusetts.

3 *Preventing Undue Discrimination and Preference in Transmission Service; Docket Nos. RM05-25-00 and RM05-17-000; Comments of the IRH Management Committee and the Schedule 20A Service Providers filed August 7, 2006.*

4 New England Hydro-Transmission Electric Company, Inc.; New England Hydro-Transmission Corporation; New England Electric Transmission Corporation; and Vermont Electric Transmission Company ("Asset Owners").

additional components, the SSPs believe that, subject to the restrictions under the HVDC TOA, such expansion would generally apply to the Asset Owners.

The Transmission Planning Strawman

To the extent that the ISO-NE transmission planning process is expanded to include additional components under Order No. 890, the SSPs support additional participation by the Asset Owners so long as such participation does not violate the terms of the agreements mentioned above. The SSPs would also participate to the extent needed to fulfill the Commission's nine criteria. A summary of changes contemplated under Order No. 890 is provided below:

Coordination - The HVDC TOA formally integrates the Phase I/II Interconnection into the regional planning process and, pursuant to that agreement, the Asset Owners have already agreed to participate in the ISO-NE planning process for reliability purposes, and to perform studies regarding the impact of regional projects on the Phase I/II Interconnection Facilities. Furthermore, the Phase I/II Interconnection is included in the Inter-Area Planning Stakeholder Advisory Committee (IPSAC) process that was established for the purpose of coordinating and conducting planning activities across PJM, NYISO, and ISO-NE. The Asset Owners and some SSPs continue to be active participants in this stakeholder process.

Openness - SSPs support disclosure of Phase I/II Interconnection transmission planning to all affected parties, including, but not limited to, all transmission and interconnection customers, state commissions, and other stakeholders.

Transparency - In addition to making information available concerning the status of regional upgrades, the SSPs support posting of status reports related to transmission plans for the Phase I/II Interconnection on the ISO's website. To the extent that demand response resources are identified that could impact planning for the Phase I/II Interconnection, the SSPs support taking those proposals and/or plans into account as part of the planning process.

Information Exchange - The SSPs and ISO-NE will coordinate with each other and with stakeholders to devise a comparable method for obtaining data from customers and exchanging information consistent with CEII and other confidentiality constraints.

Comparability - The SSPs and ISO-NE will coordinate with each other and with stakeholders to ensure a comparable method for meeting the specific service requests of transmission customers and otherwise treating similarly-situated customers comparably in transmission system planning.

Dispute Resolution - The SSPs and ISO-NE will coordinate with each other and with stakeholders to implement a dispute resolution process applicable to the planning process. In addition, Section 11.12 of the HVDC TOA provides for a dispute resolution between Asset Owners and ISO-NE relative to the Asset Owners' obligation to participate in the ISO-NE planning process.

Regional Participation – The HVDC TOA formally links the Phase I/II Interconnection and the regional planning process. The Asset Owners have agreed to participate in the ISO-NE planning process for reliability purposes.

Economic Planning Studies – The HVDC TOA approved by the Commission restricts the Asset Owners' obligation to expand the Phase I/II Interconnection to preserving current levels of reliability and only provides for enhancements that would not violate underlying agreements. IRH members only pay for those costs that they have agreed to support under the support agreements.

Cost Allocation for New Projects - In general, the support agreements make provision for cost allocation of capital additions to the Phase I/II Interconnection. IRH members only pay for those costs that they have agreed to support under the support agreements.

ATTACHMENT 3: Cross-Sound Cable Company, LLC Transmission Planning Strawman

CROSS-SOUND CABLE COMPANY, LLC

TRANSMISSION PLANNING STRAWMAN
IN COMPLIANCE WITH FERC ORDER NO. 890
May 29, 2007

Cross-Sound Cable Company, LLC ("CSC LLC") hereby posts the following "strawman" proposal in compliance with the requirements of the Federal Energy Regulatory Commission's ("FERC") Final Rule in Docket Nos. RM05-17-000 and RM05-25-000, *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890 (72 FR 12266 (March 15, 2007), FERC Stats. & Regs. ¶ 31,241 at P 443 (issued February 16, 2007)).

By order issued June 1, 2000, FERC granted authorization for CSC LLC to make sales on a negotiated basis of transmission capacity over the Cross Sound Cable ("CSC").[1] In approving negotiated rate authority for the CSC, FERC required that "service [over the CSC] should be provided under the RTO's tariff."[2] Accordingly, CSC LLC operates and provides service over the CSC pursuant to the ISO New England Inc. ("ISO-NE") Open Access Transmission Tariff ("OATT")[3] and in coordination with ISO-NE and the New York Independent System Operator ("NYISO"). Specifically, service over the CSC is provided under Schedule 18 of the ISO-NE OATT, including the Schedule 18 Implementation Rule. In addition, ISO-NE has operational control authority over the CSC pursuant to Section II.48.7(c) of the ISO-NE OATT.

In the absence of a CSC-specific stand-alone tariff and in recognition of the CSC's negotiated rate authority, CSC LLC proposes that its compliance with Order No. 890 is best implemented via ISO-NE and its revisions to the ISO-NE OATT to comply with Order No. 890. CSC LLC is an active participant in the ISO-NE Regional System Planning ("RSP") process and fully supports its continuation and refinement as proposed in ISO-NE's strawman.

Since CSC LLC does not have a stand-alone OATT, the transmission planning directives in Order No. 890 do not directly apply to CSC LLC as there is no CSC LLC OATT that must be modified. Moreover, given CSC LLC's status as a market-driven, "merchant" transmission facility owner, imposition of transmission planning requirements applicable to conventional public utilities with captive customers and native load is not appropriate.

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[1] FERC first granted the negotiated rate authorization to TransÉnergie U.S. Ltd. ("TEUS") in *TransÉnergie U.S. Ltd.,* 91 FERC ¶ 61,230. Subsequently, by order issued June 15, 2001, the Commission authorized the substitution of CSC LLC for TEUS as to the rights and obligations under the June 1, 2000 order with respect to the CSC. *TransÉnergie U.S. Ltd.,* 95 FERC ¶ 61,410. On February 1, 2006, the Commission authorized the disposition of CSC LLC's jurisdictional facilities through the transfer of all of the member ship interests in CSC LLC to Babcock & Brown Infrastructure ("BBI") a specialized infrastructure investment fund based in Australia. *Cross Sound Cable Company, et al*., 114 FERC ¶ 61,096 (2006). The sale transaction closed on February 27, 2006.

[2] *TransÉnergie U.S. Ltd.,* 91 FERC ¶ 61,230 at page 11.

[3] The ISO-NE OATT is Section II of ISO-NE's Transmission, Markets and Services Tariff, FERC Electric Tariff No. 3.

ATTACHMENT 4: Maine Electric Power Company Inc. Transmission Planning Strawman

MEPCO
TRANSMISSION PLANNING STRAWMAN
IN COMPLIANCE WITH FERC ORDER NO. 890
May 29, 2007

Introduction

Maine Electric Power Company ("MEPCO") and ISO-NE are signatories to the MEPCO Transmission Operating Agreement ("MEPCO TOA"). The MEPCO TOA provides that the MEPCO Transmission Facilities will be operated in similar fashion to the transmission facilities subject to the Transmission Operating Agreement ("TOA") with a similar split of rights and responsibilities and ensures that the MEPCO Transmission Facilities are operated and administered in a manner consistent with ISO-NE's system planning. The MEPCO TOA differs from the TOA primarily in that it does not contain a generalized obligation for MEPCO to build in response to bulk power system needs, reflecting the fact that the MEPCO Transmission Facilities are an inter-regional tie line excluded from regional transmission rates. The MEPCO Transmission Facilities are currently defined as Other Transmission Facilities ("OTF") under the ISO OATT with transmission service over the MEPCO Transmission Facilities provided pursuant to Schedule 20B, which is an equivalent to the Local Service Schedules under Schedule 21 of the ISO OATT. As contemplated and provided for in the MEPCO TOA, MEPCO and the ISO have developed a MEPCO Roll-In proposal that would: (i) define the MEPCO Transmission Facilities as Pool Transmission Facilities ("PTF") with costs recovered under regional transmission rates, (ii) provide for MEPCO to become an Additional Participating Transmission Owner ("PTO") under the TOA, and (iii) terminate the MEPCO TOA. The proposal is being considered by the PTOs and stakeholders and could be filed in June or July with an anticipated effective date of on or after November 1, 2007. If these proposals are filed and accepted by FERC, planning for the MEPCO Transmission Facilities would be pursuant to the ISO's regional system planning ("RSP") process under the ISO OATT. However, currently the MEPCO Transmission Facilities are not defined as PTF and could be deemed to be "local" facilities pursuant to Paragraph 440 of the Commission's Order No. 890. Since Order No. 890 requires that all Transmission Providers post a transmission planning "strawman" MEPCO is hereby providing its strawman for the MEPCO Transmission Facilities.

The Transmission Planning Strawman

To the extent that the ISO transmission planning process is expanded to include additional components under Order 890, MEPCO supports additional participation so long as such participation did not violate the terms of the MEPCO TOA. MEPCO would also participate to the extent needed to fulfill the Commission's nine criteria consistent with the ISO Strawman. If the MEPCO Roll-In proposal is filed and accepted by FERC, planning for the MEPCO Transmission Facilities would be pursuant the ISO's RSP process.