

To: NECPUC
From: Carolyn O'Connor
Date: January 28, 2011
Subject: Update on Recent and Upcoming Regional Activities

This memo is prepared by ISO's External Affairs Department to provide an update on several regional activities that may be of interest to the States. For your convenience, when appropriate, I have identified dates when key discussions and votes are scheduled to occur at upcoming stakeholder meetings, as well as planned filings.

There is also a section highlighting upcoming ISO speaking engagements and meetings that may be of interest.

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Issues and Updates

ISO Completes Framework for Evaluating Major Initiatives and Conducting Impact Analysis

ISO and stakeholders recently completed consideration of what constitutes “major” ISO market design and system planning initiatives. In addition to identifying what constitutes a “major” ISO initiative, the ISO and stakeholders also examined the *types of information* expected to be provided in the analyses and the *process for developing and reviewing the analyses* within the regional stakeholder process. The effort is an important first step in implementing new language in the ISO’s mission statement aimed at assisting stakeholders in evaluating certain ISO initiatives. Specifically, the mission statement requires the ISO to provide both quantitative and qualitative information on the need for, and impact of, major initiatives it proposes.

Major initiatives are determined by a set of “necessary” and “additional” criteria to assess the potential impact, riskiness and controversy associated with them. To be considered for impact analysis, the framework specifically requires initiatives to substantially change the market design or planning criteria, fall outside of a prescriptive Federal Energy Regulatory Commission or North American Electric Reliability Corporation order, be of importance to more than one state, and have an impact on multiple participants. Initiatives also must be considered risky, have broad or deep market and system impacts, or require the ISO or market participants to accrue large implementation costs. A set of detailed questions have been developed to apply the criteria to individual initiatives.

The ISO and stakeholders also outlined the types of information to be provided in the analyses. The framework envisions that quantitative information will be provided on implementation costs for the ISO and participants, and any direct impacts on affected resources, transmission assets, or load. Additionally, the analyses will attempt to quantify indirect impacts on markets such as prices and customer costs. However, in cases where providing this information is not practical, the ISO will explain the reasons why. For most major initiatives, the ISO likely would provide illustrative and back-cast-based analyses—and a discussion of directional effects in the near and long term. Qualitative information on the objective of the initiative; its implications on ISO functions, markets, and the Open Access Transmission Tariff; and descriptions of specific risks or unintended consequences will also be provided.

The process outlined for dissemination of an impact analysis is designed to ensure that stakeholders have, and understand, the relevant information about a major initiative before deciding if they support the initiative or are asked to take action on the initiative. The goal is to provide timely information for stakeholders to consider without creating delays. ISO anticipates additional meetings in the existing stakeholder process to consider major initiatives. ISO will obtain input on analysis assumptions and will discuss the analysis with stakeholders. In addition, the ISO will also consider stakeholder requests for alternatives to be included in an impact analysis. In this regard, the ISO proposes that stakeholder requests for alternatives be advanced in the early stages of the overall process to consider major initiatives.

ISO posted a [report](#) on the Framework for Evaluating Major Initiatives on its website.

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ISO-NE Outlines Findings of Metrics Report before FERC Commissioners

On January 20, ISO New England President and CEO Gordon van Welie appeared before a meeting of the Federal Energy Regulatory Commission in Washington, D.C. to discuss the ISO-NE section of the *2010 ISO/RTO Metrics Report* recently submitted to FERC. At the direction of two New England members of the U.S. Senate in 2007, the Government Accountability Office directed FERC to report to Congress on the measurable benefits of ISOs and RTOs to electricity consumers. van Welie was joined by the leaders of the five other FERC-regulated ISO/RTOs with each discussing sections relevant to their regional entities. van Welie’s [presentation](#) is posted on the ISO website.

After providing a brief overview of the New England region, van Welie outlined the “remarkable” investment in infrastructure the region has made in the last several years (including \$4 billion in transmission projects with another \$5 billion in the planning process). This investment, van Welie noted, has both positive environmental and economic benefits. New England has experienced dramatic reductions in SO₂, NO_x, and CO₂ emissions, as well as downward movement in wholesale electricity prices, due to the benefits of new transmission infrastructure. While explaining that the oil-fired slice of New England’s generation fleet is susceptible to retirement and greater exposure to environmental regulations in the near future, van Welie detailed the dramatic growth in Demand Response (DR) resources in the past few years as well as a continued effort to integrate renewable resources. Summary remarks included the importance of moving forward with recommendations from the recently-released New England Wind Integration Study and efforts to improve customer service and billing procedures.

Following the presentation, Commissioner Marc Spitzer asked each ISO/RTO representative to describe specific initiatives that have brought value to consumers. Returning to his earlier comments, van Welie mentioned the investment in transmission infrastructure and its substantial benefits to the New England region. He also noted tremendous value will be derived from continued ISO-NE efforts to more seamlessly dispatch Demand Response resources, and that as a cornerstone of smart grid efforts, DR dispatch can and should be more effective.

At various points during the meeting, each of the five Commissioners lauded the work being done in the various ISO/RTOs and the value they have provided to consumers. After reviewing the ISO/RTO submission and today’s presentations, FERC will issue a report to Congress.

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State Roundup

Connecticut

Governor’s Energy Policy Working Group

An energy policy working group formed by Governor Dannel Malloy is recommending near-term and long-term initiatives to reduce energy costs and increase production from renewable sources of energy as part of a plan to develop a comprehensive energy policy. The working group’s [report](#) is posted on the governor’s website.

The working group observed that states with significant hydroelectric and coal resources tend to have cheaper electric rates, but explains that changes in Connecticut’s generation mix are not likely in the near term because of the long lead times required to develop new supplies, such as clean coal or nuclear, or to repower existing fossil-fired generation. The working group identified the state’s aging fleet of fossil-fueled generation as a concern, but also as an opportunity for the state to replace these resources with more efficient natural-gas-fired generating units.

For the near term, the working group recommends giving the electric distribution companies greater flexibility in procuring power supply for those residential and small business customers who have not chosen a competitive supplier. This would apply to power supply procured for 2012 at the earliest because the distribution companies have already procured power for these customers for this year.

The working group found that nearly 10 percent of the costs on an electric bill relate to state public policy choices, such as renewable portfolio standards, and recommends that the Malloy Administration review these policies against the costs to consumers. This recommendation is already being acted upon. The Connecticut Energy Advisory Board is in the process of reevaluating the state’s RPS requirements and is expected to issue

its findings in the spring. The working group emphasized the importance of protecting ratepayer funding for energy efficiency programs and not allowing such funds to be raided to cover short-term state budget shortfalls.

The working group recommends that the legislature authorize the Connecticut Department of Public Utility Control (CT DPUC) to conduct a series of requests for proposals (RFPs) over the next five years to develop renewable resources in the state at the lowest cost possible in order to achieve the Administration's goals for promoting renewable energy and job growth. The working group explains that transmission costs need to be factored into any evaluation of accessing renewable energy from distant resources, such as northern New England or the Midwest.

For the long term, the working group recommends establishing a new energy policy office to formulate a comprehensive energy policy for the state. The objective is to consolidate energy policy "under one roof" and the working group recommends reorganizing the CT DPUC and more than a dozen other agencies responsible for various aspects of energy policy today. The new office would be charged with aggressively seeking federal funds for energy initiatives.

Maine

Opt-Out Alternative for Smart Meter Installation Considered

Last year the Maine Public Utilities Commission (ME PUC) approved a plan by Central Maine Power (CMP) to invest in smart meters. The plan calls for the installation of a smart meter network for all of CMP's over 600,000 residential, commercial and industrial customers. Approximately half of the funding for this project is from a \$95 million federal stimulus fund grant from the U.S. Department of Energy.

On January 4, 2011, the ME PUC opened up an investigation to determine whether CMP's plan not to allow customers to opt-out of the smart meter installation program is "unreasonable, insufficient or unjustly discriminatory." The ME PUC "will examine technically and economically feasible opt-out alternatives that would allow individual customers to have a choice regarding the installation of wireless meters on their premises," according to the notice of investigation.¹

Massachusetts

Clean Energy and Climate Plan for 2020

On December 29, 2010, then Secretary of Energy and Environmental Affairs Ian Bowles released the Massachusetts [Clean Energy and Climate Plan for 2020](#) (the Plan). The Commonwealth's Global Warming Solutions Act of 2008 required the Secretary to set greenhouse gas (GHG) emissions limits for 2020. This Plan sets that overall limit at 25% below 1990 emission levels and lays out a set of existing and new policies designed to meet that limit. In addition to curbing climate change, this plan is explicitly designed and packaged to stimulate economic growth in Massachusetts.

The portfolio of policies contained in the Plan is organized into the following categories: Buildings; Electricity; Transportation; Non-energy emissions; and Cross-cutting policies. Because the Plan spreads GHG savings out across multiple sectors and because the Electricity category is made up of only two new policies, the Plan's impact on the region's activities is estimated to be fairly limited. The Electricity category is targeted to achieve 7.7% of the 25% GHG reduction goal and consists of the following policies:

- Renewable Portfolio Standards (existing policy)
- Regional Greenhouse Gas Initiative (existing policy)
- More Stringent EPA Power Plant Rules (new policy)

¹ Docket 2010-389.

- Clean Energy Imports (expanded policy). This policy is essentially an affirmative support for transmission in general and particularly increased hydro imports from HQ.
- Clean Energy Performance Standard (new policy). The Plan urges the consideration of an output-based performance standard applicable to either portfolios of retail electricity sellers or to generators in terms of tons of pollution per megawatt-hour of electricity. As the performance standard becomes more stringent over time, the electricity market uses the least-cost mechanism for meeting it. This policy has the potential to impact ISO's ability to dispatch resources if, for example, generators are restricted from offering certain resources based on emissions.

New Hampshire

Transmission Development in the North Country

This past December, the North Country Transmission Commission (NCTC) issued a final report to the legislature with recommendations to continue the work of the commission and its efforts to remove barriers to transmission development in northern New Hampshire. NCTC concluded that the cost allocation recommendations developed by a consultant could not be implemented at this time. With respect to the consultant's recommendations, the NCTC was concerned with: whether the State would be willing to accept the risk of renewable development that might not come to pass; whether legislators would impose new charges on ratepayers; whether the market for renewable power from the North Country was affected by the proposed Northern Pass project; and whether the consultant's cost allocation proposals would be sufficient to bring the level of investment. The NCTC *Final Report to the Legislature* and the consultant's cost allocation study are available through the [New Hampshire Public Utilities Commission website](#).

Rhode Island

Further Investment in Energy Efficiency

On December 22, 2010, the Rhode Island Public Utilities Commission (RI PUC) approved National Grid's \$54 million proposal to expand investments in cost-effective electric energy efficiency programs for its Rhode Island customers. The proposal was designed to comply with the *System Reliability and Least Cost Procurement Act* that requires RI PUC approval of a "fully reconciling funding mechanism to fund investments in all efficiency measures that are cost effective and lower cost than acquisition of additional supply."² The allocation will result in a 0.526¢ per kW-hour charge for all of National Grid's Rhode Island customers (commercial, industrial and residential).

The Energy Efficiency Program (EEP) plan will introduce a pilot program that will give some customers home-energy reporting software to determine if increased monitoring of usage will lead to less waste. Additionally, the utility will increase its marketing for energy efficiency measures and will begin outreach to low-income and non-English speaking customers.

Under the EEP, participation is expected to expand from an estimated 141,500 customers in 2010 to nearly 240,000 in 2011. According to National Grid, that translates into a collective, total lifetime savings of nearly \$90 million, or nearly 1.2 million MW-hours of electricity, with Rhode Island customers realizing \$2.76 in benefits for every \$1 invested in the Plan programs.³

² R.I.G.L. § 39-1-27.7(c)(5); <http://www.rilin.state.ri.us/Statutes/TITLE39/39-1/39-1-27.7.HTML>

³ Docket - 4209, National Grid *Energy Efficiency Program Plan for 2011*, [http://www.ripuc.org/eventsactions/docket/4209-NGrid-2011EEPP\(11-1-10\).pdf](http://www.ripuc.org/eventsactions/docket/4209-NGrid-2011EEPP(11-1-10).pdf)

Vermont

The Focus Remains on the Future of Vermont Yankee

Vermont Governor Peter Shumlin and Department of Public Service Commissioner Elizabeth Miller have identified two clear energy priorities for Vermont. The first is the orderly retirement of the Vermont Yankee nuclear power station (VY). This was a prominent theme of the governor's campaign and all indications are that the state will do everything within its authority to see that VY does not operate beyond March 2012 when the plant's existing license expires. The ISO's revised and nearly complete Vermont/New Hampshire Needs Assessment and the associated Solutions Assessment will help the region identify deficiencies on the grid, some of which are caused by the potential retirement of VY, and develop potential transmission solutions.

The second policy objective for Vermont is the pursuit of non-transmission alternatives (NTAs). While this is not a new priority for the state, and indeed it is rooted in existing [statutes](#) that seek to promote NTAs, it will be a major focus of the new administration. ISO's NTA pilot evaluation due out later this year will provide a high-level screen of potential NTAs that should be a valuable resource for the state.

Also, on January 14, ISO's Vice President of System Planning, Stephen Rourke, provided testimony to the Vermont Senate Committee on Economic Development, Housing and General Affairs. The Committee was interested in gathering more information about the impact of the potential permanent retirement of VY and about ISO's planning processes. Stephen provided an overview of the ISO's 2009 Vermont Needs Assessment and the preliminary results of the soon-to-be-completed revisions to the Vermont/New Hampshire Needs Assessment. In particular, it was discussed that at certain high-load levels in the future, deficiencies and potential violations of reliability standards are expected, and that the situation is generally worse with VY retired. The Solutions Assessment and process by which ISO will provide information about NTAs was also outlined.

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New England and State Profiles

ISO will be posting the 2011 New England and state profiles soon. A notice will be issued upon posting.

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ISO White Paper

Inter-Regional Interchange Scheduling Analysis and Options

In July 2010, ISO New England (ISO-NE) and the New York Independent System Operator (NYISO) commenced a joint project to evaluate the economic and operational performance of energy interchange on their interconnected transmission network. On January 5, 2011, ISO-NE and NYISO jointly issued a [white paper](#) that identifies problems with the current set of rules governing the interchange including their magnitude and root causes. It also proposes alternative market procedures that could improve this performance. The purpose of this white paper is to facilitate stakeholder discussion of these options, and develop consensus recommendations that NYISO and ISO-NE can refine and implement.

The Problem

To enable physical trade of power requires an extensive set of market rules and procedures. The market monitor for NYISO and the external market monitor for ISO-NE, Potomac Economics, expressed concern that the current rules governing interregional trade yield frequent price disparities between regions.

The white paper draws two main conclusions. First, the current external transaction system produces demonstrably inefficient outcomes. These inefficient outcomes cause excess production costs in each region, averaging in the low tens of millions of dollars annually. Second, loads pay for the inefficiencies of the current

external transaction system. Their total energy expenditures would be on the order of one to two hundred million dollars lower annually—or perhaps half a million dollars *per day* lower—if the real-time inter-regional interchange system produced efficient tie schedules.

In total, the links between New York and New England are capable of transferring approximately 1800 megawatts (MW) of power under normal operating conditions. To put this in perspective, 1800 MW is approximately 12% of New England's average power consumption in 2009, and a similar percentage, 10%, of New York's. Thus, in any particular hour, each region could meet a significant portion of its power consumption with imports from the other.

Root Causes

The economic inefficiencies observed can be traced to three root causes:

1. *Latency Delay.* The time delay between when the tie is scheduled and when power flows, during which system conditions and LMPs may change.
2. *Non-economic Clearing.* The ISOs make decisions about which tie schedule requests to accept without economic coordination, producing inefficient schedules.
3. *Transaction Costs.* The fees and charges levied by each ISO on external transactions serve as a disincentive to engage in trade, impeding price convergence and raising total system costs.

Potential Solutions

To solve the problem of inefficient interface schedules between ISO-NE and NYISO, the two ISOs established a joint design team to develop solution options and recommendations. The team came up with two solution options: (A) Tie optimization and (B) Coordinated Transaction Scheduling. The white paper concludes that either of these two options would be a major improvement over the status quo. Of the two, the ISOs recommend the Tie Optimization option because it is the more efficient solution. Tie Optimization is the same bid-based, security-constrained least cost dispatch logic that underlies the wholesale energy market administered by each ISO. Tie Optimization simply extends this market design to cover the pool transmission facilities that interconnect the ISOs.

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Stakeholder Comments on Tie Benefits Proposal

New England stakeholders submitted comments to FERC on ISO's proposed methodology for calculating tie benefits in the final reconfiguration auction associated with each Forward Capacity Auction (FCA). Parties filed in support of some elements of the ISO proposal and also in support of an alternative methodology. Parties generally support further discussions through the regional stakeholder process.

The Massachusetts Attorney General argues that the ISO proposal to calculate tie benefits for each FCA based on "at criterion" assumptions would ignore the potential availability of surplus capacity in neighboring regions that could be used to reduce the amount of capacity that needs to be purchased in the FCA. MA AG argues that ISO's proposal is overly conservative and does not properly balance reliability and ratepayer costs. MA AG urged FERC to approve ISO's proposal only temporarily and urged FERC to order ISO to convene further discussions with New England stakeholders on the tie benefit methodology. NESCOE raised similar concerns about the need to balance reliability and consumer cost considerations and filed in support of convening further stakeholder discussions on the methodology. NESCOE supports an alternative methodology that would make use of potential surplus capacity in neighboring regions and argues this approach is more realistic than ISO's proposal, which NESCOE says is overly conservative. (ISO has raised concerns that tie benefits, which do not have the same obligations as capacity resources that clear in New England's FCM, may not be truly available in real-time system operations.) NESCOE also urged FERC to order ISO to convene stakeholder discussions of an economic analysis of tie benefits (prepared for ISO by the Brattle Group and submitted with the ISO proposal),

and analyze the cost-impact of an alternative tie benefits proposal. The Maine and New Hampshire public utility commissions filed comments supporting NESCOE.

NESCOE highlighted recent efforts by ISO-NE and NYISO to improve scheduling over the ties between New York and New England and the potential to alleviate ISO's concerns for overreliance on tie benefits.

National Grid filed in opposition to ISO's proposed use of "at criterion" assumptions and urged support of further stakeholder discussions. H.Q. Energy Services (U.S.) (HQUS) filed in support of the ISO proposal pointing out that tie benefits displace actual commercial transactions. HQUS argued against relying on inflated levels of tie benefits and ultimately for elimination of tie benefits.

In December 2010, ISO proposed to calculate tie benefits for the final reconfiguration auction based on "at criterion" conditions wherein New England and neighboring systems would be assumed to have just enough capacity to meet the reliability standard that requires firm customers not be disconnected from the bulk power system more than one day in ten years. The propose change in methodology would apply beginning with the final reconfiguration auction for resources needed in the 2012/2013 timeframe. The tie benefits calculation is an input into the Installed Capacity Requirement that determines the amount of capacity to be purchased in each auction. Tie benefits reflect the amount of emergency assistance that is assumed to be available to New England from its neighboring Control Areas in the event of a capacity shortage in New England.

FERC is expected to issue a decision by the end of February.

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Monthly Regional Network Load Cost and Wholesale Load Cost Report

Late last year, ISO New England released [Historical Regional Network Load Cost Report](#), which provides historical average costs (per MW-month) for serving regional network load in the New England wholesale markets for 2005 to 2009. This comprehensive report was created at the request of various stakeholders. Similarly, the ISO also released the [Monthly Regional Network Load Cost Report](#), which provides a rolling 13-month perspective of regional network load costs. This report, among other things, provides information on reliability costs, average cost by state, and load served by transmission owner.

Since December 2007, the ISO also released a monthly [Wholesale Load Cost Report](#), which provides information on costs accruing to real-time wholesale load. The report summarizes the major costs charged to real-time load serving entities (on an hourly historical basis) and details the locational aspects of the component costs of electricity in the New England wholesale markets. In many cases, component charges vary markedly by zone.

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Wholesale Electric Costs Jump in December 2010

The average Day-Ahead and Real-Time Hub prices in December 2010 were \$65 and \$63/MWh respectively. These prices are higher than November 2010 (prior month) and December 2009 (prior year) levels. Peak and average Real-Time loads increased from November to December due to various factors including colder temperatures. The higher prices experienced in December 2010 were due in part to significant increases in natural gas prices – the average natural gas prices increased almost 75% from the prior month.

	December 2010	December 2010 Compared to November 2010	December 2010 Compared to December 2009
Average Day-Ahead LMP (hub)	\$65.28/MWh	48%	14%
Average Real-Time LMP (hub)	\$63.11/MWh	52%	4%
Average Natural Gas Price	\$8.06 MMBtu	74%	17%
Peak Real-Time Load	20,627 MWh	13%	-1%
Average Real-Time Load	15,597 MW	12%	1%

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Semi-Annual Status Report on ISO's Load Response Programs

On December 30, 2010, the ISO filed with the FERC the [Semi-Annual Status Report on Load Response Programs of ISO New England Inc.](#) The report covers the six-month period from April 2010 through September 2010. Among other things, this report summarizes load reductions and payments and details the effects of the load response programs on wholesale prices.

Load reductions and payments

From April 1, 2010 through September 30, 2010 there were over 115,000 MWh of load response interruptions. The majority of these hours were in the summer. The average payment for a MW of interruption across all zones in the region was almost \$88/MWh. Over \$10 million was paid for interruptions throughout the region over this period and the largest payments were made to Maine, which accounted for and received over half of the reductions and payments distributed throughout the region.

Interruptions and Payments for All Load Response Programs by Zone 4/10-9/10					
Zone	MWh Interrupted	Percentage of MWh Interrupted throughout the Region	Payments	Percentage of Total Payments Made for Interruptions throughout the Region	\$/MWh
ME	65,355	56%	\$5,907,219	58%	\$90.39
NH	3,705	3%	\$298,768	3%	\$80.64
VT	2,607	2%	\$213,725	2%	\$81.99
CT	15,379	13%	\$1,323,801	13%	\$86.08
RI	5,849	5%	\$497,518	5%	\$85.06
SEMA	3,493	7%	\$276,813	3%	\$79.24
WCMA	10,398	11%	\$880,285	9%	\$84.66
NEMA	8,933	8%	\$742,808	7%	\$83.16
Regional Total	115,719	100%	\$10,140,938	100%	\$87.63

Estimated effects of load response on wholesale prices

ISO estimates that for April and May 2010 load response reduced real-time Locational Marginal Price approximately \$0.61/MWh across the region and \$1.72/MWh for June through September 2010. For the summer timeframe, Maine had the largest estimated decrease in Locational Marginal Price at \$2.15/MWh.

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Planning Advisory Committee

The PAC is scheduled to meet on February 2 and February 16 at the Courtyard Marriott Hotel in Marlborough, MA. The Feb. 2 meeting is scheduled to begin at 9:30 a.m., as usual. The Feb. 16 meeting is scheduled to begin earlier than usual – at 9:00 a.m.

Preliminary list of topics:

February 2

- Stakeholder process for submitting 2011 economic study requests
- NH/VT critical load level and alternatives analysis
- Greggs Series Reactor (New Hampshire) Special Protection System needs and recommendation
- South Norwalk Electric Works (Connecticut) needs and alternatives
- New England Wind Integration Study (NEWIS) Q&A on [final report](#)

February 16

- ISO long-run load forecast
- Economic update from Moody's Economy.com
- Price responsive demand
- Preliminary results for 2010 economic study

Future PAC meetings are planned for March 16, April 13 and 14, May 26 (moved from May 18), June 29 and 30, and July 21. The annual “page turn” of the draft RSP is scheduled for August 11. The annual RSP public meeting is scheduled for September 8. Updates to the schedule and topics are listed in the PAC Administrative Items presentations.

Meeting materials are posted on the [PAC website](#).

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Request for Information: Renewable Energy Resources

The New England States Committee on Electricity (NESCOE) held an informational session on January 19 for stakeholders to discuss the states' Request for Information on New England's Cost-Effective Renewable Energy Resources. The states issued the RFI in December 2010 through NESCOE. Initial responses are due February 4 and supplemental information is due February 25. The RFI and related documentation are posted on the [NESCOE website](#).

NESCOE explained that the major findings in the technical analysis supporting the Governors' 2009 Renewable Energy Blueprint have caused the states to move forward to advance the concept of coordinated procurement for new renewable development in New England. These include the finding that New England has adequate renewable resources to meet its own needs, and could potentially export renewable energy if the region were to pursue a more aggressive development approach, and that procurement of regional renewables would be cheaper than alternatives to import power from the Midwest.

The states made it clear that NESCOE would not be the procurement agent, and the states or utilities would likely take on that role. The goal is to gather information on new renewables and not existing facilities. Participants asked about the role of the ISO and the states responded that the ISO does not have a formal role to review the material but that NESCOE would work with ISO, particularly on transmission information that comes forward, and other stakeholders as it reviews the information.

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Transmission Cost Allocation Update

The ISO issued final determinations on several transmission cost allocation (TCA) applications in 2010, totaling more than \$3 billion of transmission investment, including projects that are under construction or in service in Maine, Vermont, and Southwest Connecticut.

Projects that are developed to meet regional reliability needs identified through the regional system planning process are eligible to apply for regional cost support through a process overseen by the ISO, with input from stakeholders. Costs for elements of a project that the ISO determines exceed the reliability need for the project are deemed “localized costs” and are not eligible for regional cost support. The ISO typically holds an open meeting for stakeholders to review major projects and the ISO then issues a draft determination letter for stakeholder review and comment before issuing a final determination. TCA [approval letters](#) and [related correspondence](#) are posted on the ISO website.

Maine and Vermont

The ISO approved approximately \$1,375 million for the 345 kV Maine Power Reliability Project as eligible for regional cost sharing. The ISO approved approximately \$240 million for the 345 kV Vermont Southern Loop Project as eligible for regional cost sharing. No localized costs were identified for these projects.

Southwest Connecticut

The ISO approved approximately \$1,205 million of the 345 kV Middletown–Norwalk Project in Southwest Connecticut as eligible for regional cost sharing. The ISO determined that approximately \$56 million of the project was for localized costs not eligible for regional cost sharing. The ISO approved approximately \$200 million of the 115 kV Glenbrook Cables Project in Southwest Connecticut as eligible for regional cost sharing. The ISO determined that approximately \$38 million of the project was for localized costs not eligible for regional cost sharing.

Review of additional applications is anticipated in 2011, including the Long-term Lower Southeastern Massachusetts (SEMA) Upgrades, Greater Boston Upgrades, and components of the New England East–West Solution.

The following figure shows an approximate breakout of cost allocation based on each state’s share of New England’s network load.

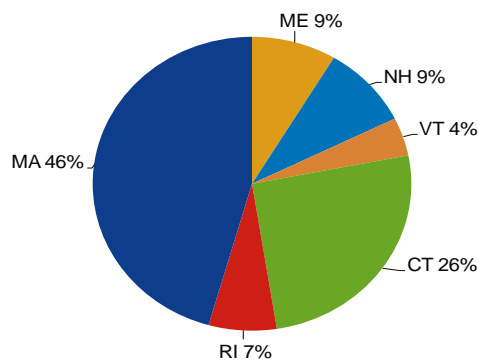


Figure 1: Regional Cost Allocation by State

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2011 Market Training Schedule

Each year, the ISO provides various training opportunities to familiarize stakeholders and market participants with New England's Wholesale Electric and Forward Capacity Markets. The instructor-led trainings are held at the Hotel Northampton in Northampton, MA and are taught by ISO New England Subject Matter Experts. Courses announced for 2011 are detailed below.

FCM 101, April 4-8 and May 9-13

Prior to the fifth Forward Capacity Market (FCM) on June 6 the ISO will offer two five-day courses related to FCM. This course provides a comprehensive understanding of the concepts and mechanics of FCM and the Forward Capacity Auction.

WEM 101, September 19-23

WEM 101, an Introduction to Wholesale Electricity Markets, is suggested for individuals who are new to the electricity industry and/or need a refresher course. The course provides an overview of the electric industry, ISO New England and its functions, features and components of the wholesale electricity markets, demand response, billing and settlements.

WEM 201 November 1-3; WEM 301, November 15-16

WEM 201 and WEM 301 are considered intermediate and advanced courses and a completion of WEM 101 is recommended before taking the upper level courses. These courses cover topics such as Locational Marginal Pricing, Unit Commitment and Dispatch, and Financial Transmission Rights.

Individuals associated with a state agency are eligible for a 50% discount on all ISO training courses. Advanced registration for courses is mandatory. To register for a course, please visit the [ISO's Training & Events Network \(ISO-TEN\)](#).

For a listing of all training opportunities, please [click here](#) (note: additional courses may be announced). [Course materials](#) are also available.

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ISO Speaking Engagements and Other Meetings of Interest

January 27, 2011

New England Women in Energy and the Environment

ISO Speaker: Anne George, VP External Affairs and Corporate Communications

February 12, 2011

ISO/RTO Council meeting with Regional State Committees on FERC Metrics Report

ISO Speaker: Gordon van Welie, President and CEO

February 13-16, 2011

NARUC Winter Meeting, Washington, DC

For more information and to register, please see [NARUC website](#).

February 16-17, 2011

National Electricity Delivery Forum, Washington, DC

For more information and to register, please see [Forum website](#).

February 16, 2011

NECA Renewable Conference, Boston, MA

For more information, please see [NECA website](#).

February 26-28, 2011

National Governor's Association, Washington, DC

For more information, please see [NGA website](#).

March 4, 2011

MIT Energy Conference, Boston, MA

ISO Speaker: Gordon van Welie, President and CEO

For more information, please see the [MIT website](#).

March 10, 2011

U.S. Department of Energy Electricity Advisory Committee, Arlington, VA

ISO Speaker: Gordon van Welie, President and CEO

For more information, please see the [EAC website](#).

Upcoming NEPOOL and ISO Meetings of Interest

Dates for upcoming stakeholder meetings and other meetings of interest (dates are subject to change):

	Participants Committee	Markets Committee	Reliability Committee	Planning Advisory Committee	Transmission Committee	NECPUC Conference Call	Consumer Advocate Conference Call
February	4	8, 9	15	2, 16	28	10	17
March	4	8, 9	15	16	23	14	22

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