ISO new england

memo

To: NECPUC

From: Carolyn O'Connor

Date: November 24, 2009

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.

ISSUES & UPDATES

- Forward Capacity Auction Results
- Forward Capacity Market Working Group
- Price Responsive Demand
- FERC Technical Conferences on Demand Response and ISO/RTO Responsiveness
- Transmission Project Updates
- Transmission Planning
- Smart Grid Grant Award Summary
- Massachusetts Wind Siting Reform
- Reconfigurations Auctions in the FCM
- Consumer Liaison Group
- New England State Retail Rate Information

ISO SPEAKING ENGAGEMENTS

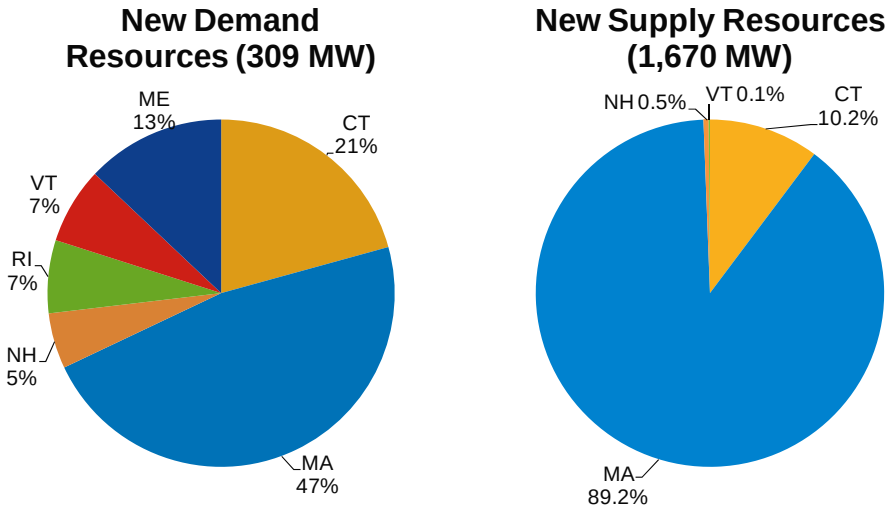
NEPOOL & ISO COMMITTEE MEETINGS OF INTEREST and 2010 NEPOOL MEETINGS

ISO New England Inc.
One Sullivan Road, Holyoke, MA 01040-2841
www.iso-ne.com T 413 535 4129 F 413 535 4379

ISSUES & UPDATES

Forward Capacity Auction Results

The ISO filed with FERC the results of the third Forward Capacity Auction (FCA-3) on October 30. New Demand Resources totaling 309 MW and new generation totaling 1,670 MW cleared in the auction.



The filing is posted on the ISO Web site: http://www.iso-ne.com/regulatory/ferc/filings/2009/oct/index.html.

BACK TO TOP

Forward Capacity Market Working Group[1] Update

After three months and more than a dozen stakeholder meetings, the Forward Capacity Market Working Group (FCMWG) developed a Design Basis Document (DBD).

On November 6, the NEPOOL Participants Committee (PC) held a special meeting to vote on the FCMWG DBD and potential changes to the design of the Forward Capacity Market. At this meeting, 20 amendments were offered. With respect to the majority of amendments, the votes were relatively consistent – load interests (comprised of states, municipal utilities, transmission owners and end users) voted opposite of generators and suppliers. Ultimately, an amended version of the DBD passed with almost 70% support – reflecting support from load interests and demand resources and opposition from generators and suppliers.

The amended DBD includes:

- Establishing a floor and ceiling price for FCA-4 of $2.95/kW-month and $6.89/kW-month respectively.[2]

[1] See Hhttp://www.iso-ne.com/committees/comm_wkgrps/othr/fcmwg/index.htmlH for FCMWG committee information. The goal of the FCMWG is to develop a term sheet that will identify issues where FCM changes are needed, including areas where there is consensus and areas where consensus has not been reached. The term sheet will be provided to the NEPOOL Participants Committee for a non-binding vote. Where appropriate, FCM rule changes will be developed pursuant to the NEPOOL committee process.
From late July through early October there have been more than a dozen FCMWG meetings focusing on various capacity market related issues. The recent focus of the working group has been on discussing the Alternative Price Rules and the definition, treatment and implication of out-of-market resources on the capacity market.

[2] In auctions after FCA-4, the floor and ceiling prices will be adjusted by a three-year average of the Handy-Whitman Index of Public Utility Construction Costs when the cost of new entry is not updated by actual new entry.

- Allowing price and MW pro-rationing when the auction floor is reached and there is excess capacity.
- Setting capacity zones consistent with the existing energy market zones and a requirement that any proposed change to a modeled capacity zone will be done prior to the FCA qualification deadline.
- Modest revisions to the Alternative Price Rule Trigger and Pricing Mechanism.
- Deferring issues regarding the rights and obligations of Demand Resources, including enforcement of performance obligations, and Peak Energy Rent deductions.

Please Click to access a complete review of the votes taken at the November 6 PC Meeting and the DBD.

The NEPOOL Markets Committee will begin working on two sets of tariff language changes at its December 8 meeting– one to implement the amended DBD and one to implement ISO's proposed rules that may differ from the amended DBD. Over the next two months, FCM Market Rule changes will be discussed and voted on in the NEPOOL Markets and Reliability Committees. These rule changes will be voted upon by the PC in February 2010 and subsequently filed with the FERC.

BACK TO TOP

Price Responsive Demand (PRD) Update
The issue of PRD has been before the NEPOOL Markets Committee approximately 23 times through mid-November, and additional meetings are scheduled for the next few weeks.

Throughout this process, ISO, NECPUC and NEPOOL have been developing a term sheet that provides the parameters and conditions for PRD. The development of detailed market rules will take place early next year. The ISO has proposed, for inclusion in the term-sheet, two complimentary approaches to achieving PRD in the region:

(1) Demand-side Approach
ISO to make available a wholesale power product in which energy and capacity are priced on an hourly real-time basis. Energy and capacity represents the vast majority of wholesale power costs. On November 10, the Markets Committee voted 40% in favor of the ISO proposal and 50% in favor of an alternative proposal limited to providing a wholesale energy-only product (capacity not included) on an hourly real-time basis.

(2) Supply-side Approach
ISO to allow customers to offer load reductions into the wholesale energy market. Under the ISO's proposal, payments for load reductions would be based on the Locational Marginal Price (LMP) minus the customer's retail generation rate. ISO also proposes that the cost of the energy payments to demand response providers for load curtailment should be allocated to the load-serving entity (LSE) whose load was reduced by the demand response.

In straw-votes before the Markets Committee earlier this fall, ISO's Supply-side approach mentioned above, received majority approval.

On October 27, NECPUC released a PRD whitepaper describing the consensus position of the region's state regulators. In this paper, among other things, NECPUC proposes that demand response providers be allowed to submit load reductions for 10% of the highest LMP hours and

be paid full LMP for these reductions. NECPUC believes that payment of full-LMPs is needed to sustain participation and help DR overcome existing market barriers. Furthermore, NECPUC recommends that the cost of payments for these demand reductions be allocated to all customers purchasing from the energy market in the hour when the demand resource is committed or dispatched.

The Markets Committee will continue to work on the term sheet. Amendments to the term sheet will be discussed at the December 3 Markets Committee Meeting. NECPUC's recommendations (see whitepaper and presentation by Massachusetts Department of Public Utilities Commissioner Tim Woolf to the November 3 Markets Committee) will be considered by the Markets Committee at that time.

The Markets Committee will have a final vote on the final term sheet on December 9. A status report on the PRD process will also be filed with FERC on December 18.

BACK TO TOP

FERC Technical Conferences on Demand Response and ISO/RTO Responsiveness

Demand Response

In late October, the Federal Energy Regulatory Commission issued a notice scheduling a staff technical conference to gather input from stakeholders on possible elements of the National Action Plan on Demand Response as discussed in the *Discussion Draft on Possible Elements of a National Action Plan on Demand Response.*

Henry Yoshimura, ISO's Director of Demand Resource Strategy, provided comments at the technical conference noting that expanded demand resource participation can be achieved through a combination of new dynamic retail price structures and enabling technologies. Specifically, Advanced Metering Infrastructure and dynamic real-time rates need to be developed concurrently to capture additional demand response. For more information on this conference see www.ferc.gov.

Mr. Yoshimura's slides from this conference are posted at http://www.ferc.gov/EventCalendar/Files/20091119121832-Yoshimura,%20ISO-NE.pdf.

ISO/RTO Responsiveness

On November 13, FERC issued notice that it will be scheduling a technical conference on ISO/RTO Responsiveness. Order 719 established reforms to improve the operation of organized wholesale electric power markets in the areas of demand response, long-term power contracting, market monitoring policies and the responsiveness of RTOs and ISOs. FERC staff will hold a technical conference to provide a forum for interested participants to discuss the responsiveness of RTOs and ISOs to their customers and other stakeholders as a result of the FERC Order and associated compliance filings. A date has yet to be determined, but the conference will be held at the FERC and all interested parties are invited to attend.

BACK TO TOP

Transmission Project Updates

Since 2001, the ISO's regional system planning process has identified the need for approximately $9 billion of transmission investment in New England to meet reliability standards. Approximately $4 billion of transmission projects has been put into service and an additional $5 billion is under study or under construction, based on the October 2009 RSP Project Listing update. The ISO typically updates the Project Listing in April, July, and October. Highlights of the October Project Listing appear below.

Project Listing: http://www.iso-ne.com/committees/comm_wkgrps/prtcpnts_comm/pac/projects/index.html

Seven major 345-kV projects have been successfully constructed and put into service in four states. These projects represent an investment of approximately $2.4 billion.

Completed Projects	State	In-service Date (ISD)	Cost Estimate (Millions)
Southwest Connecticut Reliability Project - Phase I	CT	October 2006	$343
Northwest Vermont Reliability Project	VT	January 2007	$262
Northeast Reliability Interconnect (Second New Brunswick Tie)	ME	December 2007	$144
NSTAR Reliability Project - Phases I&II	MA	Phase I: April 2007 Phase II: Dec. 2008	$308
Southwest Connecticut Reliability Project - Phase II	CT	December 2008	$1,298
Short-Term Lower SEMA Upgrades	MA	Summer 2009	$82

Additional transmission projects are under study or under construction throughout New England. Some examples include:

NEEWS

- Massachusetts, Connecticut, and Rhode Island siting officials are reviewing two of the New England East-West Solution (NEEWS) projects. Northeast Utilities' proposed Greater Springfield Reliability Project is in siting in Massachusetts and Connecticut, and National Grid's proposed Rhode Island Reliability Project is in siting in Rhode Island. The ISO has participated in the siting process to attest to the need for these projects. The ISO is reassessing the need for two remaining components of NEEWS—the Interstate and Connecticut East-West projects—in light of the lower load forecast and the resources that have cleared in the first two Forward Capacity Auctions. The ISO plans to present the results of the revised needs assessment to the PAC in early 2010. The total estimated cost of the NEEWS projects is $1,888 million. The projects are expected to be completed in the 2012/13 timeframe.

Vermont Southern Loop—Coolidge Connector

- VELCO proposal is under construction and scheduled to be completed in June 2011. Cost estimate: $243 million.

Maine Power Reliability Project

- Central Maine Power and Bangor Hydro proposal is in siting and scheduled to be in service by 2012. Cost estimate: $1,545 million.

Greater Rhode Island Transmission Reinforcements

- National Grid proposal is currently in siting and scheduled to be in service by 2014. Cost estimate: $293 million.

BACK TO TOP

Transmission Planning

Planning Advisory Committee

The PAC will meet December 16 at the Doubletree Hotel in Westborough, MA, beginning at 9:30 a.m. The preliminary agenda includes updates on inter-area planning, transmission updates, and Transmission Owner updates on Local System Plans. The development of the load forecast for RSP 2010 will begin at the January 21 meeting.

Eastern Interconnection Planning Collaborative

The Eastern Interconnection Planning Collaborative (EIPC) has established a Web site for stakeholders to track the progress of EIPC activities. See: www.eipconline.com. The U.S. Department of Energy is expected to issue a decision imminently on the EIPC's application under the DOE funding opportunity.

FERC Request for Comments on Transmission Planning Processes

ISO New England filed comments in the FERC's proceeding on transmission planning.

BACK TO TOP

Smart Grid Grant Award Summary

The following is a summary of the New England based smart grid grants announced on October 27 by the US Department of Energy, pursuant to the Smart Grid Investment Grant Program.

State	Award Winner	Description	Recovery Act Funding (in millions)	Total Project Value Including Cost Share (in millions)	Award to Entities in State (in millions)
Connecticut	CMEEC	Build regional smart meter network including 5 municipal utilities and at least 130,00 time-varying meters	9.2	18.4	9.2
Maine	CMP	Install network for all residential and C&I and 650,000 meters	95.9	195.9	95.9
Vermont	Vermont Transco	Expand deployment of smart meters from 28,000 to 300,000	68.9	137.9	68.9
New Hampshire	NH Electric Coop	Modernize distribution and metering system by deploying advanced metering for 75,000 members	15.8	35.1	15.8
Massachusetts	Honeywell International	Provide automated peak pricing response for almost 700 C&I customers	11.4	22.8	
Massachusetts	NSTAR	Expand capabilities to allow for "self-healing" to reduce outages on system	10.1	20.1	

Massachusetts	Town of Danvers	Deploy 12,000 smart meters, upgrade cyber security, automate outage management	8.5	17	40
Massachusetts	ISO New England	Syncrophasors	7.9	18	
Massachusetts	Marblehead Municipal Light	Install 10,000 smart meters and pilot for real time price and load management	1.3	2.7	
Massachusetts	Vineyard Energy Project	Deploy range of technologies	.8	1.6	
	REGIONAL TOTALS		229.8	469.5	

Massachusetts Wind Siting Reform
The Massachusetts Joint Committee on Telecommunications, Utilities and Energy Committee (TUE) drafted legislation that will reform and streamline the process for approving wind energy-generating facilities in Massachusetts. The "Wind Energy Siting Reform Act of 2009" will help expedite the approval of projects and encourage new construction.

By way of background, the 2009 Green Communities Act required the creation of an energy facilities siting commission to determine whether current laws and regulations adequately facilitate the siting of renewable energy projects. The commission found that there are major impediments in the state's siting laws, including:

- A lack of statewide siting standards for wind energy facilities.
- Lengthy judicial appeals for virtually all permit requests.
- Limited access to the state's "one-stop" permitting process for smaller wind projects.

The Wind Energy Siting Reform Act of 2009 addresses the aforementioned regulatory hurdles by:

- Establishing a new Division of Wind Energy Facilities Siting within the Department of Public Utilities whose director is responsible for streamlining the siting of wind energy facilities and ensuring predictable permitting decisions.
- Providing one-stop permitting at the state and local level for wind projects over 2 MW.
- Setting a limit of only one appeal of the EFSB's decision to the state's highest court.
- Decreasing the time of permitting for current projects.
- Providing financial benefits to municipalities that approve wind energy facilities.

Although the Wind Energy Siting Reform Act of 2009 was approved by the TUE committee on November 17 it will not be enacted until next year.

BACK TO TOP

Reconfigurations Auctions in the FCM
The ISO is preparing to file with the FERC the assumptions to be used for the final Annual Reconfiguration Auction (ARA) for the 2010/11 commitment period scheduled to take place March 2010.

On November 19, the Participants Committee (PC) voted on the Installed Capacity Requirement (ICR), and related values for the upcoming ARA, as well as a proposal to change the market rules for calculating tie benefits for the final ARA before a commitment period. The PC vote is an advisory recommendation to the ISO.

The PC did not support the ISO's recommended ICR and related values for ARA3, but did support the ISO's recommended values for Hydro Quebec Interconnection Capability Credits (HQICCs) for the ARA. ("Related values" include Local Sourcing Requirements and Maximum Capacity Limits.) The PC voted in favor (66%) of an amendment offered by the Massachusetts Attorney General's Office that calculated ICR with a proposed tie-benefit value of 2,286 MW. The PC voted against the ISO's recommended ICR and associated values that relied on using a tie-benefit assumption of 1,860 MW, which is based on the "At-criteria" system conditions used in the primary auction for FCA-1. The Mass AG's motion included an estimated ICR value of 30,467 MW assuming 2,286 MW of tie benefits. ISO anticipates making a filing with FERC on these matters in the December timeframe.

The PC voted to change the market rules for calculating tie benefits for the remaining reconfiguration auctions in FCA-1 and FCA-2. The PC recommended calculating tie benefits based on "At-criteria" system conditions for all primary auctions and the initial reconfiguration auctions, consistent with existing market rules. However, for the final reconfiguration auctions, the PC recommended calculating tie benefits based on "As-is" system conditions, with a 2,286 MW cap on tie benefits.

The ISO is also preparing to make a separate filing with the FERC in early 2010 to address the methodology for calculating tie benefits in general. The methodology is being discussed with the Power Supply Planning Committee (PSPC). After the PSPC review, the RC will consider the PSPC recommendation and submit a recommendation to the PC for a vote. The review of the methodology includes using "At Criteria" or "As Is" system conditions for calculating tie benefits for FCAs and ARAs; modeling non-adjacent control areas (namely PJM and Ontario) in tie-benefits studies; modeling internal transmission constraints in tie-benefits studies; and calculating tie benefits for individual tie lines. The ISO plans to present a straw proposal to the PSPC in December.

BACK TO TOP

Consumer Liaison Group

Consumer Liaison Group (CLG) representatives provided an update to NEPOOL and the ISO Board of Directors at the November 19 NEPOOL PC Meeting. CLG members, Jed Nosal (MA Attorney General's Office) and Bob Espindola (Acushnet Company) summarized the first two CLG meetings and stated that the CLG's purpose is to develop a solid understanding of the cost drivers in the wholesale markets, be informed of market and system developments and change proposals, including the cost impacts of such developments and proposals, and to input to ISO management and the Board on consumer interests in these developments.

The next meeting of the Consumer Liaison Group (CLG) will be December 10 at the Colonnade Hotel in Boston. FERC Commissioner Phil Moeller has been invited and will be participating at this meeting. To register for this meeting, please go to:http://www.iso-ne.com/calendar/detail.action?eventId=41874&link=yes&filter=off

See http://www.iso-ne.com/committees/comm_wkgrps/othr/clg/index.html for agendas and all CLG meeting materials.

BACK TO TOP

New England State Retail Rate Information

At the request of the Consumer Liaison Group, the ISO updated its analysis of wholesale and residential retail costs to reflect 2009 conditions[3]. To ensure that consumer advocates and end users understand the structural differences in the two markets, ISO also compiled information on the timing of current and future residential rate changes—as well as the procurement requirements each of the major utilities follow to purchase electricity supplies on behalf of residential consumers. A summary of this information follows:

State	% of Regional Load[4]	Utility	Effective Date of Current Residential Rates	Next anticipated Residential Rate Change[5]
MA	46%	NGRID UNITIL NSTAR WMECO	May 1, 2009[6] June 1, 2009[7] July 1, 2009[8] July 1, 2009[9]	November 1, 2009 December 1, 2009 January 1, 2010 January 1, 2010
CT	27%	UI CL&P	January 1, 2009[10] July 1, 2009[11]	January 1, 2010 January 1, 2010
NH	9%	NGRID Unitil PSNH	May 1, 2009[12] May 1, 2009[13] August 1, 2009[14]	November 1, 2009[15] November 1, 2009[16] January 1, 2010[17]
ME	7%	BHE CMP	March 1, 2009[18] March 1, 2009[19]	March 1, 2010[20] March 1, 2010[21]
RI	7%	NGRID	January 1, 2009[22]	March 2010
VT	4%	GMP CVPS	October 1, 2009[23] October 1, 2009[24]	January 1, 2010[25] January 1, 2010

BACK TO TOP

[3] See Bob Ludlow's presentation to the CLG on the ISO's analysis of retail rates and wholesale energy costs at Hhttp://www.iso-ne.com/committees/comm_wkgrps/othr/clg/mtrls/2009/oct192009/clg_10_19_09_ludlow.pdfH

[4] See Table 3-2 Summary of Annual and Peak Use of Electric Energy for New England and the States at Hhttp://www.iso-ne.com/trans/rsp/2009/index.htmlH.

[5] These are the anticipated dates based on either state rules or expected utility rate filings.

[6] Hhttp://www.mass.gov/Eoeea/docs/dpu/electric/09-bsf-d1/32009ngbsf.pdfH

[7] Hhttp://services.unitil.com/mass/e_rates_R1.asp

[8] Hhttp://www.mass.gov/Eoeea/docs/dpu/electric/09-bsf-c2/42109nstbsr.pdfH

[9] Hhttp://www.mass.gov/Eoeea/docs/dpu/electric/09-bsf-b2/5609wmedfds1.pdfH

[10] Hhttp://www.uinet.com/uinet/connect/UINet/Top%2BNavigator/Customer%2BCare/Home-Residential/Billing/Billing%2BRates/

[11] Hhttp://nuwnotes1.nu.com/apps/clp/clpwebcontent.nsf/AR/rate1/$File/rate1.pdf

[12] Hhttp://www.puc.state.nh.us/Regulatory/Orders/2009orders/24953e.pdf

[13] Hhttp://services.unitil.com/nh/e_rates_D.asp

[14] Hhttp://www.puc.state.nh.us/Regulatory/Orders/2009orders/24991e.pdfH

[15] Hhttp://www.puc.state.nh.us/Regulatory/Orders/2009orders/25013e.pdf

[16] Hhttp://www.puc.state.nh.us/Regulatory/Orders/2009orders/25011e.pdf

[17] Hhttp://www.puc.state.nh.us/Regulatory/Orders%20of%20Notice/100509onDE09-180%20PSNH%20Default%20Energy%20Svc.pdfH

[18] Hhttp://www.maine.gov/tools/whatsnew/index.php?topic=puc-pressreleases&id=66436&v=article08

[19] Hhttp://www.maine.gov/tools/whatsnew/index.php?topic=puc-pressreleases&id=66436&v=article08

[20] Hhttp://www.maine.gov/tools/whatsnew/index.php?topic=puc-pressreleases&id=80014&v=article08

[21] Hhttp://www.maine.gov/tools/whatsnew/index.php?topic=puc-pressreleases&id=80014&v=article08

[22] Hhttps://www.nationalgridus.com/narragansett/non_html/rates_tariff.pdf

[23] Hhttp://www.greenmountainpower.com/customer-service/billing/rates/tariffs.html

[24] Hhttp://www.cvps.com/CustomerService/Tariffs/Rate_Index.htm

[25] Residential rates set quarterly per conversation with Sean Foley VT DPS 10/15/09.

ISO SPEAKING ENGAGEMENTS

December 2, 2009: New Hampshire Business & Industry Association (NHBIA) Annual Energy Conference

ISO President and CEO, Gordon van Welie will be the keynote lunch speaker at the NHBIA Annual Energy Conference in Manchester, New Hampshire.

December 3, 2009: American Wind Energy Association (AWEA) Offshore Wind Project Workshop

Gordon van Welie will be presenting at the AWEA workshop in Boston.

February 17, 2010: 2010 DOE-NARUC National Electricity Forum

Gordon van Welie will be participating in an Electricity Infrastructure panel discussion at the DOE-NARUC National Electricity Forum in Washington, DC. Gordon will be offering his perspective on the challenges to multi-regional electricity infrastructure planning, including possible interconnection-wide planning.

2009 and 2010 NEPOOL & ISO COMMITTEE MEETINGS OF INTEREST

The following charts contain tentative upcoming meeting dates for NEPOOL Markets, Reliability, Planning Advisory, and Transmission Committees.

December 2009 NEPOOL & ISO MEETINGS

	Participants Committee	Markets Committee	Reliability Committee	Planning Advisory Committee	Transmission Committee	Consumer Liaison Group	NECPUC Conference Call	Consumer Advocate Conference Call
December	11 (Boston)	3 (Westborough) 4 (Sturbridge) 8 (Marlborough) 9 (Marlborough)	15 (Westborough)	16 (Westborough)		10 (Boston)		21

2010 TENTATIVE NEPOOL MEETINGS[26]

TC	***RC***	***MC***	***NPC***	***PAC***	***PSPC***
Jan 27	Jan 20	Jan 12 & 13	Jan 8	Jan 21	Jan 14
Feb 25	Feb 23	Feb 9 & 10	Feb 5	Feb 24	Feb 11
Mar 24	Mar 17	Mar 9 & 10	Mar 5	Mar 18	Mar 11
Apr 28	Apr 26	Apr 13 & 14	Apr 9	Apr 27	Apr 22
May 26	May 24	May 11 & 12	May 7	May 25	May 13
June 25	June 16	June 8 & 9	June 4	June 15	June 17
July 21	July 16	**July 12-14[A]**	**June 21 - 23[A]**	July 15	July 22
Aug 16-17[A]	**Aug 16-17[A]**	Aug 10 & 11	Aug 6	Aug 12	Aug 19
Sept 29	Sept 20	Sept 14 & 15	Sept 17	Sept 21	Sept 9
Oct 27	Oct 20	Oct 13 & 14	Oct 15	Oct 21	Oct 28
None	Nov 17	Nov 9 & 10	Nov 18	Nov 18	Nov 19
Dec 2	Dec 15	Dec 7 & 8	Dec 10	Dec 16	Dec 9

[26] **Summer Meeting Dates are bolded and labeled with an "[A]"** and RSP Annual Meeting is scheduled for Sept 16, 2010.