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Contact:

Ellen Foley, ISO New England Inc. (413) 535-4139

Marcia Blomberg, ISO New England Inc. (413) 540-4555

Final Step in Region's Forward Capacity Market Completed

New Market Has Encouraged Investment in Power Plants and Demand-Side Resources

Holyoke, MA—June 7, 2010—Culminating four years of development and staged implementation, the final phase of the Forward Capacity Market (FCM) administered by ISO New England Inc. was launched June 1, 2010. The cut-over to systems that integrate this new market into existing processes went smoothly, a testament to the hard work and collaboration of the region's market participants and ISO New England's employees to implement a project of this size and complexity.

“Developing the market rules, the procedures, and the software systems needed to implement this new market has been a substantial undertaking,” said Gordon van Welie, chief executive officer of ISO New England Inc., the operator of the region's bulk power system and wholesale electricity markets. “As we continue to gain experience administering this market, we will work with the industry, state regulators, and other stakeholders to make any necessary enhancements.”

Under FCM, ISO New England forecasts the amount of resources needed to meet demand and maintain reliability three years in advance and holds an auction for generation and demand resources to satisfy those future requirements.

To secure the resources needed for this first year of the Forward Capacity Market, from June 1, 2010, through May 31, 2011, an auction was held in February, 2008. With the increased investment in power system resources spurred by the new market and substantial investment in new transmission infrastructure, out-of-market capacity payments made to power plants needed to ensure reliability have declined from 2,700 megawatts (MW) to 162 MW.

The FCM has also encouraged exponential growth of demand resources (DR)—from about 500 MW in 2006 to more than 2,000 MW. Last week, ISO New England also completed a two-year project to more fully integrate these large amounts of DR into operations. New tools and procedures, as well as new communications equipment, will enable more effective dispatch of DR to ensure system reliability. The project is another major step in deploying the smart grid and more fully integrating demand resources into the wholesale electricity markets.

Current facts about the Forward Capacity Market; because of monthly reconfiguration auctions, these amounts are updated regularly:

- Total megawatts of available resources: **About 32,700 MW**
- Amount of demand-side resources: **More than 2,000 MW**
- Amount of supply-side generation resources: **Approximately 30,500 MW** in New England and **about 300 MW** from outside the region
- Auction clearing price: **\$4.50/kilowatt-month**, with surplus capacity. With proration, the price is adjusted to about **\$4.25/kilowatt-month**
- Total number of assets now available to provide capacity: **More than 5,600, including approximately 5,000 demand-side assets** such as load management, energy efficiency and distributed generation, and **650 generating assets**, consisting of about 350 dispatched generators and 300 smaller generators on the system; this also includes multiple generating units at some sites.

Resources participating in the Forward Capacity Market are compensated for being available to produce power or, in the case of demand-side resources, to reduce demand. Resources that fail to fulfill this commitment when needed will be subject to financial penalties.

The FCM was approved four years ago this month by the Federal Energy Regulatory Commission to attract investment in new resources and maintain needed existing resources at a time when demand in New England was growing at the rate of one new power plant a year and investment in new plants had declined. The FCM is meeting the goal of ensuring that New England has the resources needed to meet demand and maintain a reliable bulk power system for the region. The fourth annual auction, for resources needed from June, 2013, through May, 2014, is scheduled for early August.