

To: Heather Hunt, Executive Director, NESCOE

From: Michael Henderson, Director of Regional Planning and Coordination, ISO New England

Date: September 4, 2009

Subject: NESCOE comments on draft RSP09

Thank you for your participation in the 2009 regional system planning process through the PAC. In particular, we appreciate your efforts to coordinate input from the six states as shown by the thoughtful written comments on behalf of NESCOE on the draft 2009 Regional System Plan (RSP09) and for the valuable comments provided at the PAC page-turn meeting on August 14 to review the draft report.

We posted a revised draft report on September 3 in anticipation of the RSP public meeting on September 10 where stakeholders will have a final opportunity to provide input to RSP09. The revised draft report incorporates comments from the PAC, including comments from NESCOE. The final report will be posted in the October-November timeframe following approval by the ISO's Board of Directors.

In general, NESCOE's comments recommended that future RSPs provide additional information to ensure that regulated transmission solutions are backstop solutions, consistent with the Attachment K provisions of the ISO's Open Access Transmission Tariff (OATT). NESCOE also recommended that future RSPs provide additional information about the status of transmission projects.

The ISO supports the states' objective that regulated transmission solutions be developed as backstop solutions as this objective is consistent with the ISO tariff. Through Attachment K, the Federal Energy Regulatory Commission (FERC) approved changes to the ISO tariff that specifically incorporate market solutions, as well as responses to state requests for proposals, in the development of system needs assessments. The analysis developed through the planning process, including needs assessments, solution studies, and the annual RSP, is intended to provide information to stakeholders and developers to bring about market solutions *first* and to develop regulated transmission solutions to ensure the region has an adequate transmission system if market solutions are not adequate to address identified needs. We have reflected your comments and clarified the planning process in the Executive Summary, Section 2, Section 10, and Section 12.

Wherever possible, we have incorporated NESCOE's other comments into RSP09. Some comments, as you have suggested, are for consideration in the development of future plans and we will provide an opportunity for discussion of these areas with the PAC at the beginning of the RSP10 process. Each successive RSP is intended to build on the previous year's plan and we will continue to work with the states and other stakeholders through the PAC to improve upon the RSP, including consideration of NESCOE's recommendations.

NESCOE recommended that RSP10 and subsequent plans should present more clearly the particular analysis contemplated in Attachment K, and, in particular, that the RSP should “specify the physical characteristics of the physical solutions that can meet the needs defined in the Needs Assessments and include information on market responses that can address them; and provide 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, or merchant transmission projects, that would satisfy the identified needs or that may serve to modify, offset or defer proposed regulated transmission upgrades.” NESCOE also recommends that the RSP “cross-reference the identified needs” with the specific information contemplated in Attachment K.

Overall, we believe this analysis has been completed for RSP09 consistent with Attachment K. Section 4 describes the amount of resources required to meet regional resource adequacy needs and a state-by-state breakdown of supply and demand resources that have cleared in the Forward Capacity Market to meet those needs; Section 5 describes the physical characteristics of resources that can address representative future operating-reserve requirements for New England’s major importing areas; Section 6 describes the infrastructure improvements and characteristics of resources that can reduce concerns for the lack of fuel diversity in the region; Section 7 describes environmental issues that will affect different resources depending on their emission characteristics; and Section 8 describes studies underway to identify system needs to integrate large-scale wind resources and smart grid technologies into the system.

The RSP is intended to be an annual overview of system needs. Individual needs assessments, solution studies, and the Transmission Project Listing, which are updated throughout the year, provide additional detail for specific studies and transmission projects.

The PAC presentations on needs assessments and solution studies, which provide opportunities for discussion with ISO subject-matter experts, provide additional detailed information to assist developers in identifying potential solutions. Participation in the PAC process is essential to fully understand the details of the system needs and potential solutions. Stakeholders also can obtain network models of the transmission system through the FERC 715 process, which requires electric transmission utilities that operate facilities rated at or above 100 kV to submit information annually to the FERC. Stakeholders can use these models to conduct further studies of the best individual sites for developing demand and generation resources.

We believe that the robust response to the first two Forward Capacity Auctions is an indication that the market is bringing forward the amounts and types of resources needed for reliability in the locations identified through the planning process.

To the extent that the RSP can provide additional cross-referencing of specific needs is a topic for consideration in future RSPs in consultation with the PAC. The ISO is open to further discussions with the states in this area.

NESCOE recommended that the “list of transmission projects identified as needed in RSP09 should be presented in or as an attachment to the RSP.” The Transmission Project Listing is not attached to the report; however, the revised report clarifies how to access the latest version of the Transmission Project Listing. Attaching the Transmission Project Listing, which is updated about three times per year, to the RSP, which is updated annually, would leave the RSP with references to an outdated Transmission Project Listing when subsequent updates are issued. Together, the RSP and the latest version of the Transmission Project Listing comprise the plan for the region.

This is consistent with the requirement in Attachment K for the ISO to issue “periodic” updates to the Project Listing. Attachment K specifies that “Updating of the RSP Project List shall be considered an update of the RSP” (Section 3.6(b)).

NESCOE observed that the draft RSP “is essentially silent on transmission costs. This is the case in relation to its discussion of individual transmission projects as well as the aggregate transmission costs that the ISO-NE identifies as needed.” NESCOE recommended that “the expected investment as identified in the RSP on a per project and aggregate basis should be plainly identified in the document.”

The RSP identifies approximately \$4 billion of transmission investment between 2002 and 2009 (Sections 1.1, and 10.6), based on the July 2009 Transmission Project Listing. Because the Transmission Project Listing is a dynamic list, the RSP refers to the Transmission Project Listing for a list of additional transmission projects, including cost estimates for individual projects and aggregate costs for all transmission projects in the plan.

Additionally, in 2009 the region’s Transmission Owners began to provide updates to the PAC on transmission cost estimates based on the recommendations of the Cost Estimating and Controls Working Group and the resulting *Project Cost Estimating Guidelines*, which were developed as enhancements to the ISO New England Procedure for Pool-Supported PTF Cost Review, Planning Procedure No. 4. These updates are intended to provide timely information on cost transmission project estimates as requested by the states and other stakeholders.

NESCOE recommended that “the *Transmission Project List* should be revised to conform to the RSP’s discussion of need evaluation by denoting which projects on the list are under active current review with respect to need and/or year of need. The RSP 09 should also indicate an approximate date by when such additional analysis on need and/or time of need is expected to be completed.”

The ISO continues to evaluate system needs, solution alternatives, and the Transmission Project Listing regularly in consultation with the PAC. The Transmission Project Listing is updated usually in April, July, and October. The process for updating the Project Listing is for the ISO to post a draft for PAC review, then the ISO presents the draft at a PAC meeting and solicit comments, and subsequently the ISO posts the Project Listing as a final update. The PAC is the process whereby stakeholders receive updates on the status of transmission projects. Based on discussions with PAC and the NESCOE recommendation, ISO acknowledges the benefits of better summarizing information either as part of the Transmission Project Listing or through other summary documents. Re-assessing the year of need for the projects in the plan is a significant task and the results of this evaluation will continue to be discussed with stakeholders through the PAC.

NESCOE recommended that the RSP should point to areas of RSP09 that are influenced by the change in the load forecast, or explain if there is no impact on system needs. Changes in the load forecast may have different impacts on the need for different transmission projects. Low loads may reduce the need for projects serving load pockets, but increase the need for projects in areas that have a many inexpensive resources. The need for some projects is more closely tied to peak-load levels than for others. Other factors, such as generation dispatch, unit commitment, or the need for transfer capability may have a more significant influence on the need for a transmission project than the load level. The ISO continuously evaluates the impact of the change in the load

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forecast and other factors on the need for transmission projects and the results of those analyses are reported to stakeholders through the PAC.

NESCOE recommended that the description of the Cost Estimation and Control Work Group should clarify that the group was formed to address “cost estimating practices and potential opportunities for cost control.” The draft report has been revised to clarify that this working group has focused on these two areas. (Section 11.3.8).

NESCOE recommended that the draft RSP should be publicly available with CEII material redacted. The ISO takes very seriously its responsibility to safeguard Critical Energy Infrastructure Information (CEII) and to ensure the transparency of the planning process. We also recognize the states’ interest in having access to CEII and maximizing input to the process. Where appropriate, PAC and RSP-related materials are posted with CEII protection and we have established a process that allows stakeholders to request access this information with appropriate safeguards. Where possible we also redact CEII to ensure broad access to planning information. We have redacted CEII material from the latest posted version of the draft RSP and the final report also will be available in the same format.

The revised report is posted without CEII restrictions at: <http://www.iso-ne.com/trans/rsp/index.html>.

Thank you again for your input to the RSP process and we welcome the opportunity to discuss these matters with you at your convenience.