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ATTACHMENT K
REGIONAL SYSTEM PLANNING PROCESS

July 19, 2012 - THIS DOCUMENT PROVIDES NESCOE’S COMMENTS ON THE TRANSMISSION OWNERS’ SUGGESTED MODIFICATIONS (DATED 7/6/12) TO ISO-NE’S PUBLIC POLICY PROCESS DRAFT TARIFF LANGUAGE (DATED 6/19/12 – A PRIOR VERSION THAN WHAT ISO REVIEWED AT THE TRANSMISSION COMMITTEE ON 7/9/12) NESCOE COMMENTS AND SUGGESTED EDITS APPEAR IN BLUE TEXT. NESCOE SUGGESTED DELETIONS APPEAR IN ~~STRIKETHROUGH~~. PLEASE ALSO SEE COMMENTS NESCOE SUBMITS ON JULY 19, 2012 PERTAINING TO ISO-NE’s SUBSEQUENT DRAFT TARIFF.

* * * * *

4A. Public Policy Transmission Studies; Public Policy Transmission Upgrades

4A.1 Public Policy Requirements

(a) NESCOE Requests for Public Policy Transmission Studies

At least every [three] years, by January 15 of that year, the ISO will post a notice indicating that members of the Planning Advisory Committee may provide NESCOE with input regarding state and federal public policy requirements identified as driving transmission needs relating to the New England System, and regarding particular transmission needs driven by public policy requirements. A meeting of the Planning Advisory Committee may be held, at NESCOE’s request, for this purpose. By no later than April 1 of that year, NESCOE may submit to the ISO in writing a request for a new Public Policy Transmission Study, or an update of a previously conducted study. The request will identify the state and federal public policy requirements identified as driving transmission needs relating to the New England Transmission System, and may identify particular NESCOE-identified public policy-related transmission needs as well. Along with any such request, NESCOE will provide the ISO with an explanation of which transmission needs driven by state and federal public policy requirements the ISO will evaluate for potential solutions in the regional planning process, including why other

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suggested transmission needs will not be evaluated. The NESCOE request and explanation will be posted on the ISO’s website.

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NESCOE COMMENT: The TOs’ proposed section below on Federal Public Policy Requirements is premature and should not be included in ISO-NE’s compliance filing. NESCOE agrees with ISO-NE’s concerns expressed on July 9, 2012 and concurs that there is no risk that ISO-NE or the region more broadly will choose to ignore any federal law that mandates transmission. As discussed on July 9, 2012, NESCOE suggests adding “state and federal” to Section 4.A1(a), above.

(b) Federal Public Policy Requirements

If at any time, the ISO, NESCOE, or any NEPOOL member believes that a federal public policy requirement exists that is not covered by 4A.1(a) above, and that the ISO planning process should consider transmission needs driven by such federal public policy requirement, the party shall provide the ISO with written notice of the proposed federal public policy requirement. The ISO shall seek stakeholder comments on the proposed federal public policy requirement an within sixty (60) days, of being so notified, post on the ISO website its explanation of whether transmission needs driven by the proposed federal public policy requirements should be included in the regional system planning process in accordance with FERC’s Order No. 1000. If the ISO determines that a proposed federal public policy requirement should be included in the regional system planning process, the ISO will work with affected Transmission Owners to draft any further revisions to the ISO-NE Tariff to facilitate the consideration of the federal public policy requirement in the planning process and present such tariff language for NEPOOL stakeholder review prior to submitting such ISO-NE Tariff changes to the FERC. Consideration of federal public policy requirements under this subpart (b) shall not affect the timing of the consideration of NESCOE-identified public policy requirements under this Section 4A.

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The TOs are willing to work with this Section 4A framework for transmission needs driven by public policy requirements established by state laws or regulations, but the TOs do not believe this Section 4A framework is appropriate for transmission needs driven by public policy requirements established by federal laws or regulations.

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4A.2 Preparation for Conduct of Public Policy Transmission Studies; Stakeholder Input

Upon receipt of the NESCOE request, the ISO will prepare and post on its website a proposed scope for the Public Policy Transmission Study, and associated parameters and assumptions, and provide the foregoing to the Planning Advisory Committee by no later than May 1 of the request year. A meeting of the Planning Advisory Committee will be held promptly thereafter in order to solicit stakeholder input for consideration by NESCOE and the ISO on the scope, parameters and assumptions.

4A.3 Conduct of Public Policy Transmission Studies; Stakeholder Input

Following NESCOE’s consideration of input and upon receipt in writing from NESCOE of the final scope, parameters and assumptions for the Public Policy Transmission Study, the ISO will conduct the initial phase of the study, and provide NESCOE and the Planning Advisory Committee with the results of its analyses. With input from PAC and potentially impacted PTOs, ISO will develop a rough estimate of the costs and benefits of projects that could meet transmission needs driven by public policy requirements. As part of the initial phase of the Public Policy Transmission Study, the results will be posted on the ISO’s website, and a meeting of the Planning Advisory Committee will be held promptly thereafter in order to solicit input for NESCOE and the ISO on the results of the initial phase of the study, and the scope, parameters and assumptions for any follow-on phases of the study. Following NESCOE’s receipt and consideration of input, and upon receipt of a request in writing from NESCOE identifying particular alternatives from the initial phase of the public policy study and providing associated parameters and assumptions, the ISO will – as a follow-on phase of the Public Policy Transmission Study – perform more detailed analysis and engineering work on the identified projects or needs. This follow-on study will provide more detail regarding system upgrades that would need to be performed in order to accommodate the public policy alternatives for which the follow-on ISO study has been requested.

4A.4 Response to Follow-On Phase of Public Policy Transmission Studies

The results of the follow-on phase of the Public Policy Transmission Study will be provided to NESCOE and the Planning Advisory Committee and posted on the ISO’s website, and a meeting of the Planning Advisory Committee will be held promptly thereafter in order to solicit input for NESCOE and the ISO on those results. The ISO’s costs of performing both phases of the Public Policy Transmission Study described in Section 4A.3 will be collected by the ISO pursuant to Schedule 1 of Section IV.A of the Tariff. Any PTO costs for assistance requested by the ISO

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~~NESCOE E- to support both phases of the Public Policy Transmission Study will be recovered by the applicable PTO(s) in accordance with Attachment E and Schedule 21 of the Tariff.~~ In the event that the ISO determines that PTO or other transmission developer involvement in the Public Policy Transmission Study is necessary or desirable, ISO shall notify NESCOE and the PAC of such determination and shall include an explanation of why such involvement is necessary or desirable and shall include an estimate of the costs of such involvement. Such costs shall not exceed **[S100,000?]** in the aggregate without the prior written consent of NESCOE, and shall be reimbursed by the ISO and collected by the ISO pursuant to Schedule 1 of Section IV.A of the Tariff.

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Upon NESCOE’s receipt and consideration of Planning Advisory Committee input, NESCOE will provide the ISO with a written list of projects, if any, that the states are interested in exploring further. The NESCOE list will indicate which states are “opting in” to support exploration of transmission solutions for each public policy objective, as well as a matrix of the key desirable features for each of the projects that will be explored further. The ISO will provide the results of the Public Policy Transmission Study and the NESCOE matrix to Qualified Project Sponsors for their use in preparing Stage One Proposals to develop, build and operate one or more of such projects.

NESCOE COMMENT: The PTOs are not obligated to submit any public policy proposal. Order 1000 creates no obligation for any entity to submit any proposal and no such obligation should be created through this tariff. PTOs and other transmission developers should have comparable opportunity to present proposals and should have comparable cost recovery opportunity.

[The PTOs are still discussing whether there should be any obligation for PTOs submitting a proposal to address public policy requirements (“public policy proposal”) and if so, when in the process such a PTO proposal should be submitted. To the extent that the PTOs are obligated, or agree to a request, to submit such a public policy proposal, the PTOs believe that PTOs submitting such proposal should recover all prudently incurred costs associated with developing the public policy proposal.]

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4A.5 Stage One Proposals

(a) Information Required for Stage One Proposals

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[SUBJECT TO FURTHER CONSIDERATION]

For each project identified in the Public Policy Transmission Study that would be located within or connected to a PTO's existing electric system, that PTO [shall], and other Qualified Project Sponsors may, prepare (by the deadline specified by the ISO) a Stage One Proposal providing the following information:

NESCOE COMMENT: Consistent with NESCOE's development cost recovery presentation on dated June 5th (posted with the June 21st meeting material) and related tariff language (posted with June 21st meeting material), NESCOE believes investors interested in development opportunities should fund Stage One proposals. In consideration of stakeholder discussion around cost recovery, NESCOE supports allowing recovery of prudently incurred Stage One costs for those projects ultimately placed in the RSP Project List following state regulatory authority review, provided the project developer clearly states and quantifies those Stage One costs to enable regulatory review.

At the June 21, 2012 meeting, NESCOE requested that the TOs provide an estimate of the cost of providing the information below that is being proposed to be included in the tariff. This is an open request.

[POSSIBLE INFORMATIONAL ITEMS BELOW OFFERED FOR DISCUSSION PURPOSES:
COST OF COMPLYING WITH THE ITEMS NEEDS TO BE EVALUATED]

- (i) a detailed description of the proposed solution, including an identification of the proposed route for the solution and technical details of the project;
- (ii) a detailed explanation of how the proposed solution addresses the identified need;
- (iii) feasibility studies, as requested by ISO, to demonstrate how the proposed solution would address the identified need;
- (iv) the proposed schedule for development and completion of the proposed solution;
- (v) right, title, and interest in rights of way, substations, and other property or facilities, if any, that would contribute to the proposed solution or the means by which such would be obtained;
- (vi) a list of affected existing transmission system facilities that the PTO or Qualified Project Sponsor believe will require modification as part of the proposal;

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- (vii) the estimated lifecycle cost of the proposed solution, including an itemization of the components of the cost estimate; and
- (viii) any other information or supporting documentation required to address the matrix provided by NESCOE in accordance with Section 4A.4.

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(b) Reimbursement of Stage One Proposal Costs

[TRANSMISSION OWNERS TO LEAD THE DISCUSSION ON THIS ITEM PURSUANT TO THEIR RIGHTS UNDER THE TOA TO FILE TRANSMISSION RATE DESIGN UNDER THE ISO OATT] [Still under discussion by the TOs.]

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NESCOE Comment: This has been tagged as reserved for TO leadership since June. The states understand the TOs interest in leading the discussion. It is mid-July. To the extent there remains TO interest in leading this discussion, the TO need to communicate their position(s) to states and stakeholders for consideration now - before the July 24th meeting - so that states and stakeholders have time to evaluate the TO position(s) and comment on it/them at the July 24th meeting. In addition, TOs have stated that they do not intend to provide cost recovery language to apply to non-incumbents

NESCOE Comment: As discussed at prior meetings, and as set forth in the NESCOE presentation dated June 5th (posted with the June 21st meeting material) and associated redlined tariff language (posted with the June 21st meeting material), Stage One Proposal costs should be borne by investors interested in participating in the opportunity to develop projects that could help the New England States satisfy public policy objectives. Further, as noted above, all potential developers should be treated comparably by way of opportunity and cost recovery. PTOs should not be provided any competitive or economic advantage with respect to developing project proposals.

(c) LSP Coordination

Sponsors of Stage One Proposals shall also identify any LSP plans that require coordination with their proposals.

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(d) Proposal Deficiencies; Further Information

If the ISO identifies any deficiencies in a proposed Stage One Proposal, the ISO shall notify the Stage One Proposal sponsor and provide an opportunity for the sponsor to cure the deficiencies within the timeframe specified by the ISO. Upon request, sponsors of Stage One Proposals shall provide the ISO with additional information to allow for the evaluation of the proposed solutions.

(e) Preliminary Review by ISO

Upon receipt of Stage One Proposals, the ISO shall perform a preliminary feasibility review of each proposal to determine whether the proposed solution:

- (i) provides sufficient data and that the data is of sufficient quality to satisfy Section 4A.5(a);
- (ii) appears to satisfy the identified public policy needs;
- (iii) is technically practicable;
- (iv) is not eligible to be constructed only by an existing PTO in accordance with Schedule 3.09(a) of the TOA because the proposed solution is an upgrade to existing PTO facilities [or utilizes PTO rights-of-way].

(f) Short List; NESCOE Response

The ISO will provide NESCOE and the Planning Advisory Committee with, and post on the ISO’s website, a short list of projects from Stage One Proposals meeting the criteria of Section 4A.5(f), and a meeting of the Planning Advisory Committee will be held promptly thereafter in order to solicit input for NESCOE and the ISO on that list. The ISO shall also indicate whether any of the projects may also satisfy identified reliability needs of the system. Information on Stage One Proposals containing CEII will be posted on the ISO’s password-protected website consistent with Section 2.4(d) of this Attachment. Within days of the Planning Advisory Committee meeting, the ISO may receive from NESCOE a written list of projects included in Stage One Proposals, if any, that the states are interested in exploring further. In order for the ISO to act on the list, the list will indicate which states are “opting in” to support exploration of each individual project.

(g) No PTO Obligation to Support Other Qualified Project Sponsors

The PTOs shall have no obligation in Stage One or Stage Two to provide direct support to any Qualified Project Sponsor to facilitate the development of a Stage One Proposal or Stage Two

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Solution, provided that this Section 4A.5(c) shall not excuse the PTOs from complying with any other applicable provision of the ISO-NE Tariff, including any requirement to provide support to the ISO, NESCOE, or any state, consistent with the TOA and this Section 4A.

NESCOE Comment: As discussed at the July 9, 2012 meeting, reference to individual state requests should be struck from the passage above.

4A.6 Stage Two Solutions: Reimbursement of Stage Two Solution Costs

The ISO will work with Qualified Project Sponsors of projects listed by NESCOE pursuant to Section 4A.5(d) and with affected PTOs to evaluate and further develop the listed projects to create Stage Two Solutions to assure that they fully satisfy the identified public policy needs. The ISO will determine the preliminary preferred Stage Two Solution for each need reflected in the list provided by NESCOE pursuant to Section 4A.5(g). The ISO will report the preliminary preferred Stage Two Solution(s), along with its views as to whether the preferred solution(s) also satisfies identified reliability needs of the system, to NESCOE and the Planning Advisory Committee and seek stakeholder input on the preliminary preferred solutions. PTOs whose projects are listed by NESCOE pursuant to Section 4A.5(d) shall be entitled to recover, pursuant to rates and appropriate financial arrangements set forth in the Tariff, all prudently incurred costs associated with developing a Stage Two Solution. PTOs shall be entitled to recover, pursuant to rates and appropriate financial arrangements set forth in the Tariff all prudently incurred costs associated with developing any upgrades or modifications to such PTOs' existing facilities necessary to facilitate the development of a listed project proposed by any other Qualified Project Sponsor. [The incumbent TOs take no position on generic provisions for cost recovery by non-incumbent developers, but reserve the right to comment on or protest any specific cost recovery proposal that may be offered by a non-incumbent developer].

NESCOE Comment: See comment above and NESCOE's project development cost recovery presentation dated June 5th (posted with June 21st meeting material) and redlined tariff language (posted with June 21st meeting material). This process should treat all developers comparably by way of opportunity and cost recovery. Further, as stated previously, Stage Two Proposal costs cannot be unlimited. Ratepayer exposure to unlimited proposal development costs by one or multiple developers would be an untenable result that could have the effect of stifling state interest in seeking Stage Two proposals.

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NESCOE PROPOSAL: “The development costs of projects that qualify as Stage Two Proposed Solutions pursuant to Section 4A.6 shall be recoverable up to a maximum amount of \$3 million per Proposed Solution. Development costs incurred with respect to a project before the date the project is listed pursuant to Section 4A.5(f) shall not be recoverable. A state that has not elected to support and fund a Stage Two Proposed Solution shall not be assigned costs associated with any such Proposed Solution. For purposes of this Attachment, “development costs” shall mean the prudently incurred costs of [elements of appropriate study to be defined].”

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4A.7 State Evaluation of Stage Two Solutions

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The ISO and the Planning Advisory Committee may receive notice from NESCOE of which Stage Two Solutions will be further evaluated. Qualified Project Sponsors shall participate in a single coordinated and timely state evaluation process. Qualified Project Sponsors shall respond to data requests issued by the states that have opted-in on a coordinated basis, subject to confidentiality protections in accordance with the ISO-NE Information Policy. The Planning Advisory Committee will have the opportunity to provide comments on the state evaluation of Stage Two Solutions. The ISO’s costs of assisting NESCOE or any state in the evaluation of Stage Two Solutions will be collected by the ISO pursuant to Schedule I of Section IV A of the Tariff. Any PTO costs for assistance requested by the ISO, NESCOE, or any state to support evaluation of Stage Two Solutions will be recovered by the applicable PTO(s) in accordance with Attachment F and Schedule 21 of the Tariff.

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NESCOE Comment: The passage above is inconsistent with the policy framework as set forth by NESCOE and reflected in ISO-NE’s draft tariff. There are not state proceeding(s) and/or data requested concerning Stage Two proposals. The states are open to discussing coordinated regulatory review(s) later in the process, that is, prior to the transmittal to ISO-NE concerning what projects the state regulatory authorities conclude ISO-NE should place in the RSP. The states understand the interest in maximizing efficiency within the bounds of state law of those regulatory authority proceedings and are open to means to coordinate and streamline to the extent possible under state laws. Please also note that “or any state” in the passage above has been deleted consistent with other deletions in this document.

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4A. Inclusion of Public Policy Transmission Upgrades in the Regional System Plan and RSP Project List; Subsequent Opt-In

(a) Regional System Plan and RSP Project List

Upon receipt of a NESCOE Public Policy Transmittal in response to preliminary preferred Stage Two Solutions and the stakeholder input received thereon, the ISO shall include in the Regional System Plan and Regional System Plan Project List, as Public Policy Transmission Upgrade(s), the project(s) indicated therein as having been approved by the respective state regulatory authorities. The NESCOE Public Policy Transmittal shall indicate which of the NESCOE member states are supporting the particular Public Policy Transmission Upgrade. This Transmittal Letter will allow the States to do a subsequent opt-in consistent with the language previously in part (b) of this Section. The NESCOE Public Policy Transmittal may also indicate whether NESCOE agrees to an alternative cost allocation that is to be utilized for the project costs for a particular Public Policy Transmission Upgrade or whether the supporting NESCOE member states agree to an alternative cost allocation only within their states for a particular Public Policy Transmission. If NESCOE or the supporting NESCOE member states agree to such an alternative cost allocation for a particular Public Policy Transmission Upgrade and provide an explanation of how the alternative is consistent with the cost allocation principles of Order No. 1000, the PTOs will submit filings to the FERC as required to implement the alternative cost allocation in accordance with the Transmission Operating Agreement and subject to the conditions set forth in that agreement [TOA conditions will include assurance of cost recovery]. If no alternative cost allocation is agreed to by NESCOE, the costs of a Public Policy Transmission Upgrade will be allocated in accordance with Schedule 12. ITOs support a cost allocation methodology in the Tariff to comply with Order No. 1000 using the load ratio share of all New England states (i.e., as a Regional Network Service charge using Network Load shares). If not already a party to the TOA, each Qualified Project Sponsor for a Public Policy Transmission Upgrade shall execute an interim operating agreement with the ISO to apply while the Public Policy Transmission Upgrade is under development and shall execute the TOA upon placing the upgrade into service.

NESCOE Comment: At this time the states are not convinced collectively that a default cost allocation is required.

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(b) Removal from RSP

If a Public Policy Transmission Upgrade is removed from the RSP Project List by the ISO, the entity responsible for the construction of the Public Policy Transmission Upgrade shall be reimbursed for any costs prudently incurred or prudently committed to be incurred (plus a reasonable return on investment at existing Commission-approved ROE levels) in connection with the planning, designing, engineering, siting, permitting, procuring and other preparation for construction, and/or construction of the regulated transmission solution or Public Policy Transmission Upgrade proposed for removal from the RSP Project List.

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NESCOE Comment: NESCOE supports the language in the ISO-NE’s current (July 9, 2012 meeting) version of this document concerning the RSP project list and subsequent state opt-in and not the language above.

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