

Forward Capacity Market (FCM)/ Generator Interconnection Process Stakeholder Group

Stakeholder Meeting No. 4

November 6, 2007

Westborough, MA

Agenda

Welcome and Opening Remarks	9:30 – 9:45
Summary of Resource Qualification for the first FCA	9:45 – 10:15
Initial Guidance on Key Principles	10:15 – 10:45
Break	10:45 – 11:00
Detailed Review of FCM Qualification Process	11:00 – 12:15
Lunch	12:15 – 1:00
FCM Qualification Process (cont.)	1:00 – 3:15
Closing Remarks	3:15 – 3:30

Future Meeting Dates in 2007

- Tuesday November 27 – Double Tree Hotel – Westborough, MA
 - Wrap up information sharing and process details presentations
 - Agree on full set of key principles for alternative development
 - Focus on next steps in the process
- Monday December 10 – Mass Mutual Center – Springfield, MA
 - Continue next steps on how FCM and Queue can be better coordinated
 - Set up early 2008 meeting dates

Overview of Process

- ISO New England (ISO-NE), New England Conference of Public Utilities Commissioners (NECPUC) and New England Power Pool (NEPOOL) have agreed to engage in a stakeholder process to look for ways to improve the coordination between the requirements of the FCM and the current Federal Energy Regulatory Commission (FERC)-approved Generator Interconnection Process
- Information regarding this stakeholder process may be found at:

http://www.iso-ne.com/committees/comm_wkgrps/othr/fcm_gen/index.html

Overview of Qualification Results for First Forward Capacity Auction (FCA)

Carissa P. Sedlacek, Manager FCM & Tariff Administration

Today's Discussion

1. Forward Capacity Market (FCM) Design
2. Overview of Qualification Results
3. Contents of the FERC Filing

FCM Design and Overview of Qualification Results

FCM – Design Features

- Primary auction for capacity approximately three years before the delivery year
 - Descending Clock Auction
- Allow new proposed capacity projects to compete in the market and set price
 - Market is not limited to existing resources
- Facilitate participation by all resources
 - Demand Resources and Conservation
 - Intermittent (Wind, Hydro, Solar, and Other) Generation
- Market only buys capacity to meet New England's Installed Capacity Requirement (ICR)
 - No Obligations Assigned to Remaining Resources
 - Capacity based on summer ratings

Major Components of the FCM

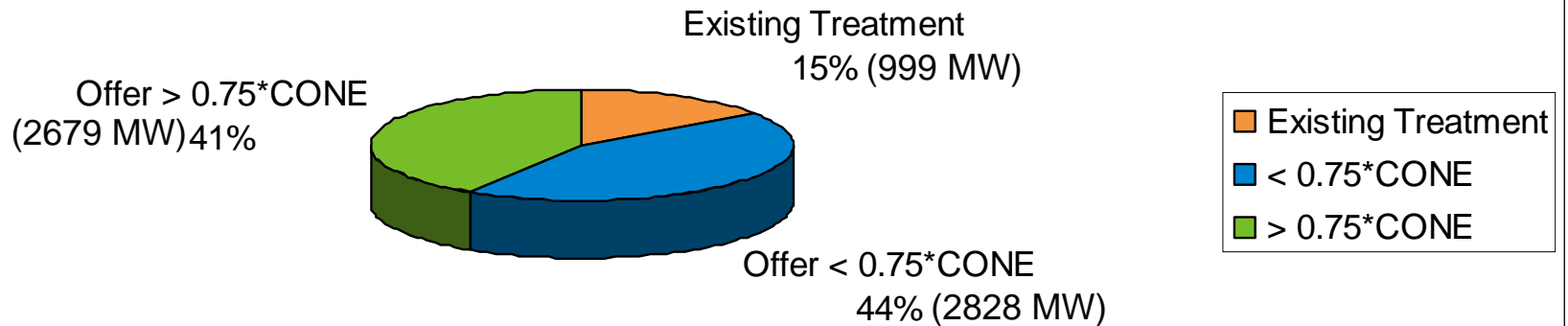
- Qualification
 - Ensure that auction participants are real
 - For both existing and new capacity resource offers
- Forward Capacity Auction
 - To purchase the capacity resources
- Reconfiguration Auctions
 - To buy and sell (exchange) capacity obligations before and during the commitment period
- Capacity Product
 - Must offer in day ahead energy market
 - Measure and pay for performance during shortage events
 - Financial obligation to provide energy during high priced periods
- Financial Assurance
 - Help to ensure that new capacity offers deliver on commitment

Summary of FCM Qualification Results

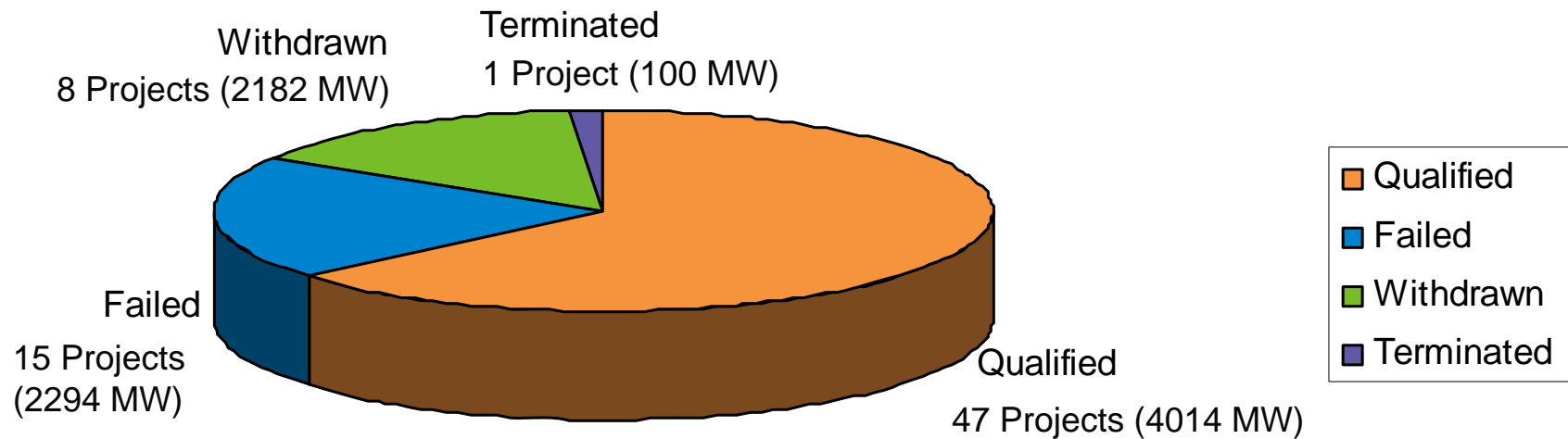
Summary as of October 3, 2007

- Installed Capacity Requirement for 2010 is 33,705 MW
 - There are 1,400 MW's of Hydro-Québec Installed Capacity Credits (HQICC's)
- Qualified Existing Resources for 2010 is 32,573 MW
- Qualified New Resources for 2010 is 6,506 MW
 - Qualified New Supply Resources is 4,014 MW
 - Qualified New Demand Response Resources is 2,492 MW

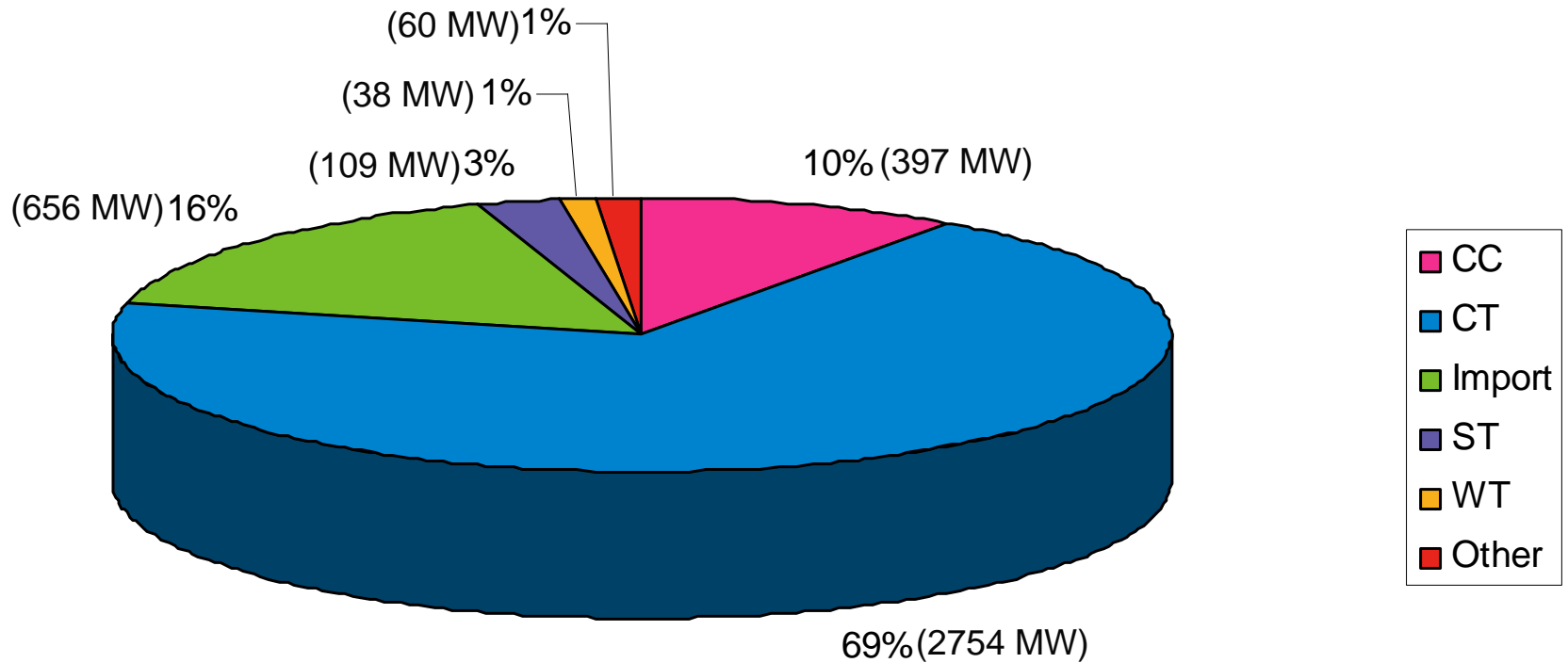
Supply and Demand Response Qualified Projects Breakdown by Auction Treatment (6516 MW) As of 10/3/07



Supply Side Show of Interest - Project Status since June 15th As of 10/3/07



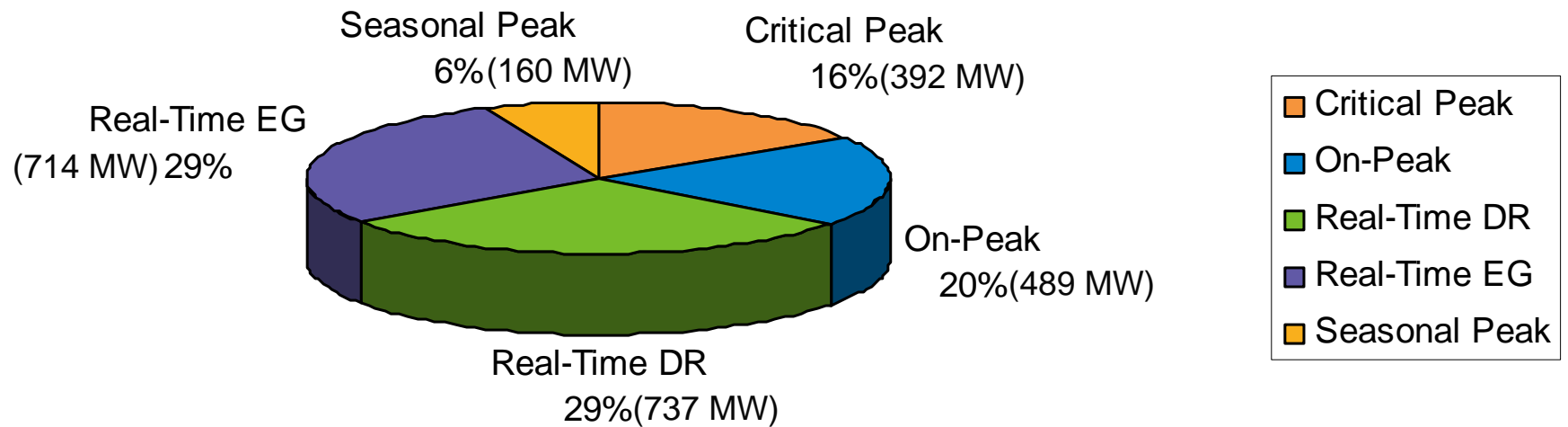
**Supply Side Show of Interest
Breakdown of the 47 Qualified Projects by Resource Type (4014 MW)
As of 10/3/07**



CC – Combined Cycle
CT – Combustion Turbine

ST – Steam Turbine
WT – Wind Turbine

Demand Response Show of Interest
Breakdown of the 194 Qualified Projects by Project Type (2492 MW)
As of 10/3/07

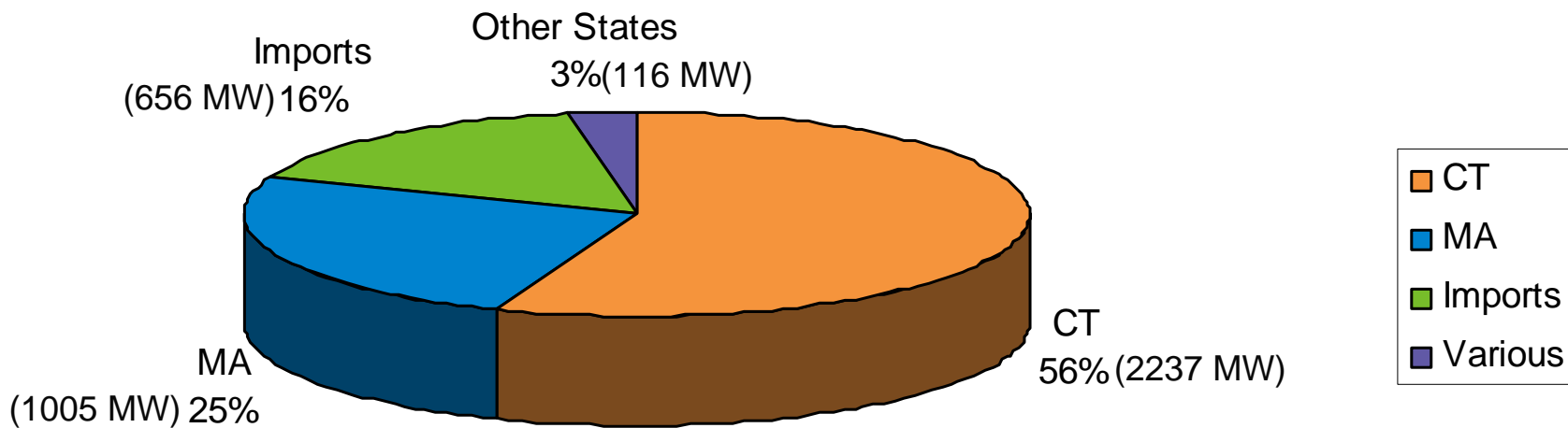


DR – Demand Response
EG – Emergency Generation

Supply Show of Interest

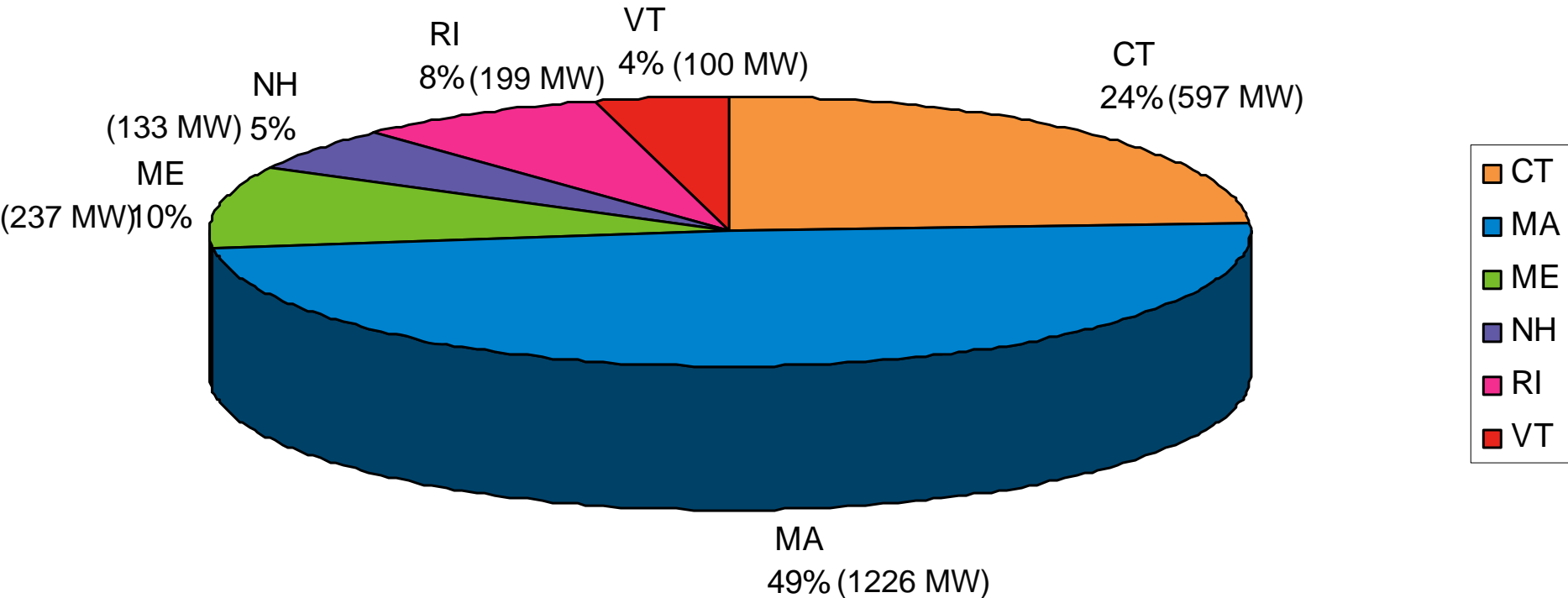
Breakdown of the 47 Qualified Projects by State (4014 MW)

As of 10/3/07

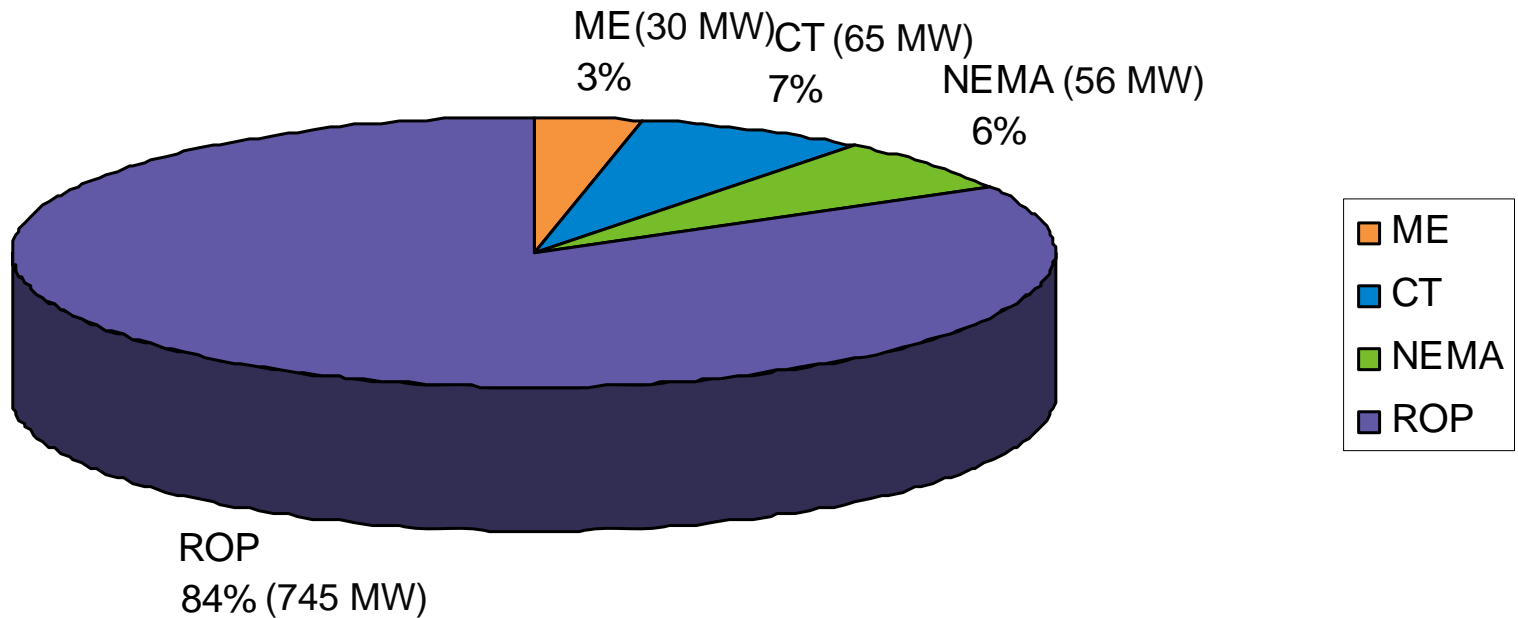


Demand Response Show of Interest Breakdown of the 194 Qualified Projects by State (2492 MW)

As of 10/3/07



Qualified Composite Offers Submitted by Capacity Zone (896 MW) As of 10/3/07



ROP – Rest of Pool

Overview of Informational Filing for First FCA

Informational Filing Contents

- FCM Market Rules require that the ISO file with the Commission at least 90 days prior to the FCA the inputs to be used for the FCA
 - Section III.13.8.1 of the Market Rule
- This filing is to allow both FERC review of these inputs and interested stakeholders to challenge certain data and determinations
- If the Commission does not issue an Order within 75 days of the filing of the inputs, they are deemed to be accepted

Informational Filing Contents (cont.)

- Capacity Requirements
 - Capacity Zones to be modeled in the FCA
 - Transmission Interface Limits
 - List of Transmission Lines expected to be in-service
 - Installed Capacity Requirement, Local Sourcing Requirements, and Maximum Capacity Limits
- Demand Resource Gross-up Values
- List of Qualified Existing Resources
 - List of Resources that did not submit de-list bids, with associated MW values
 - List of Resources that did submit de-list bids, with associated MW values, submitted prices, and disposition. For rejected de-list bids, the INTMMU's determination of net risk-adjusted going forward and opportunity costs

Informational Filing Contents (cont.)

- List of Qualified New Resources
 - With name, location, and associated MW values
- List of New Resources that were not Qualified
 - With name, location, and associated MW values
 - With Qualification Determination Notification letter sent to Project Sponsor explaining why project was not Qualified
- Lists will be included in public filing
- Qualification Determination Notification (QDN) letters will be redacted in public filing
- FERC Filing to be made November 6, 2007
 - Posted to ISO-NE website within 24 hours at:
<http://www.iso-ne.com/regulatory/ferc/filings/index.html>

Preliminary FERC Filing Summary as of November 5, 2007

- Installed Capacity Requirement for 2010 is 33,705 MW
 - There are 1,400 MW's of HQICC's
- Qualified Existing Resources for 2010 is 33,053 MW*
 - Existing Supply Resources is 32,112 MW
 - Generation is 30,844 MW
 - Import is 1,269 MW
 - Existing Demand Resources is 941 MW
- Qualified New Resources for 2010 is 6,102 MW
 - Qualified New Supply Resources is 3,619 MW
 - Generation is 2,961 MW
 - Import is 658 MW
 - Qualified New Demand Response Resources is 2,483 MW

* Values may not equal sum due to rounding