

**To:** New England Conference of Public Utilities Commissioners  
NEPOOL Participants Committee Members and Alternates

**From:** Stephen Rourke, VP System Planning, ISO New England Representative  
Anne George, Commissioner, CT DPUC, NECPUC Representative  
Robert Stein, NEPOOL Representative

**Date:** September 13, 2007

**Subject:** Proposed Stakeholder Process on Coordination between the Forward Capacity Market and the FERC Generator Interconnection Process

As we have all discussed over the past several months, ISO New England, NECPUC and NEPOOL have agreed to engage in a stakeholder process to look for ways to improve the coordination between the requirements of the Forward Capacity Market (“FCM”) and the current FERC-approved Generator Interconnection Process. The objective for this process will be to develop a set of proposed Market Rule 1 and Open Access Transmission Tariff (“OATT”) changes, to be filed with FERC no later than October 2008, which will improve the effectiveness of the market and tariff processes.

By way of background, FERC Orders 2003 and 2006 required all public utilities, including ISOs and RTOs, to adopt Standardized Large Generator Interconnection Procedures and Small Generator Interconnection Procedures in their OATTs. These procedures set forth the processes in which large generators (greater than or equal to 20 MW) and small generators (less than 20 MW) would make interconnection requests. Following FERC’s issuance of Orders 2003 and 2006, ISO and NEPOOL formed a working group, the Generator Interconnection Working Group, to work through the details of these orders, and develop and file appropriate tariff language for implementation of these processes in New England. Following a series of compliance filings in response to orders from FERC, we now have in place Schedules 22 and 23 of the ISO OATT, which set forth these interconnection processes. The remaining obligation we have to FERC in connection with compliance with Order No. 2003 is the development of an intra-zonal deliverability standard to become part of Schedules 22 and 23.

The FCM has a number of requirements for the qualification of resources for each Forward Capacity Auction (“FCA”) that are similar in nature to the requirements in Schedules 22 and 23, but are not entirely bound by the concept of “Queue Position” (that is, a first-come, first-served basis), although the sequence of the Interconnection Queue is used in parts of the FCM qualification process. This process has been viewed by some as potentially leading to sub-optimal results in the FCM and, as such, will be one area of focus for the proposed stakeholder process.

In order to accomplish these important goals on this aggressive timetable, we propose the following basic structure for the stakeholder process:

Project Breakdown: Three Major Phases

- I. Information sharing and process details
  - a. Define scope and objectives of the overall process
  - b. FERC Generator Interconnection Process
  - c. FCM Resource Qualification Process
  - d. Establish context/criteria for alternate methodologies given OATT principles
  
- II. Receive and review alternative proposals from stakeholders and ISO
  - a. Compare alternatives against established criteria/guiding principles
  - b. Weigh pros/cons, including likelihood of FERC approval and ISO ability to implement and administer the process
  - c. Select preferred alternative, including keeping the existing rules/process
  
- III. Develop any market rule and tariff language necessary to support preferred alternative
  - a. Engage MC, RC, TC, as appropriate, in review of Tariff/Market Rule 1 changes
  - b. Seek NEPOOL support and NECPUC support to prepare joint filing
  - c. Engage FERC staff to explain reasons for changes, if any, to *pro forma* tariff provisions are necessary in context of FCM
  - d. Make FERC filing

Approximate Time Schedule for Each Phase of the Project

|           |  |
|-----------|--|
| Phase I   | September – December 2007                |
| Phase II  | January – May 2008                       |
| Phase III | June – October 2008, October FERC filing |

In an effort to ensure that all voices are heard and all points of view are adequately shared with the stakeholder group, we propose a similar structure to that of the Installed Capacity Working Group, which will establish the three of us, representing ISO, NECPUC and NEPOOL, as co-chairs for this stakeholder process.

We will also be looking for volunteers for a smaller, technical support group that can help prepare materials for each meeting and work on proposals for broader stakeholder review.

Listed below are suggested meeting dates for the remainder of this year and a very brief outline of the focus areas for each meeting. We will certainly adjust schedules and meeting content as required throughout the process.

1. Thursday **September 27** – Kick-off meeting
  - a. Overview of process
  - b. Proposed meeting dates in 2007
  - c. Establish Mission Statement
  - d. Review suggested meeting topics
  - e. Gather additional stakeholder input on the process
2. Thursday **October 11**
  - a. Information sharing and process details
  - b. Identify key principles
3. Thursday **October 25**
  - a. Continue information sharing and process details
  - b. Identify key principles
4. Tuesday **November 6**
  - a. Continue information sharing and process details
  - b. Identify key principles
5. Tuesday **November 27**
  - a. Wrap up information sharing and process details presentations
  - b. Agree on full set of key principles for alternative development
  - c. Focus on next steps in the process
6. **December Meeting Date To Be Determined**
  - a. Continue next steps on how FCM and Queue can be better coordinated
  - b. Set up early 2008 meeting dates

We look forward to your feedback on the proposed process and your continued support of this very important effort for the region.

cc: NEPOOL Markets Committee  
NEPOOL Reliability Committee  
NEPOOL Transmission Committee