

To: New England Electricity Stakeholders

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Subject: New England Scenario Analysis Initiative

ISO New England's Scenario Analysis Initiative is an educational stakeholder process to explore long-term resource options for meeting a New England electricity demand of 35,000 MW – a level that will require the addition of 8,000 MW and is expected to occur in the timeframe between 2020 and 2025. It is designed to explore different options and outcomes for the region's electric system, rather than to develop a common plan or even a consensus projection of what is expected to occur in the future.

Seven scenarios representing different fuel and technology-based options will be examined and compared for their economic, reliability and environmental performance. Additionally, each scenario will be tested against a range of assumptions to understand its sensitivity to different or changing conditions such as fuel prices. By purposefully assuming exaggerated, perhaps unrealistic types of resource additions, the different outcomes of each scenario become clear and the results can be used to inform stakeholders of the implications of each.

The Initiative is not designed to select or gain consensus on the region's future expansion path – rather, the goal is to fully educate stakeholders and in turn inform energy policy decisions. In particular, one of the primary audiences for the scenario process is the New England Governors who have begun energy trade discussions with the Eastern Canadian Premiers. Within this overall purpose, the process goal is to drive stakeholder development of the scenarios, sensitivities and metrics to study and to gain common understanding of the results and issues.

The Scenario Analysis effort is being guided by a steering committee comprised of representation from the ISO, New England Conference of Public Utilities Commissioners (“NECPUC”) and NEPOOL. Two open stakeholder meetings have been held to date. Participation has been strong and has included broad representation from the industry as well as a range of state government agencies including economic and environmental regulators. As a result of the comments received at these meetings, the ISO has revised and increased the initial set of scenarios, created a separate Metrics Development Working Group and made the decision to utilize existing technical committees to evaluate certain issues raised by stakeholders, such as the appropriate amount of capacity to assume for wind generators.

Additional Stakeholder meetings will be held in February, March and May. A report on the results and issues learned through the Initiative is targeted for publication in the June timeframe – which also coincides with a key meeting of the New England Governors and Eastern Canadian Premiers later in that month. To review Initiative materials, please visit www.iso-ne.com.