

New England States' Order 1000 Public Policy Project Framework

New England Order 1000 Meeting

January 12, 2011

Overview

Framework represents New England states' consensus approach & compromise in order to address our challenges as a region

- For efficiency & practicality, framework seeks to make use of some existing New England planning processes & mechanisms
- **Stakeholder input is central: stakeholder input opportunity at each step in the process**
- Process accounts for fact that some Public Policy Projects may also meet other needs, such as reliability
- Transmission project cost estimates, control, & assurance of benefits of central importance to cost/benefit analysis
- Framework is in draft form - requires discussion, input & refinement

States appreciate stakeholder & ISO-NE feedback

Overview of State Roles

- States seek to provide consensus views, following stakeholder input, through NESCOE on
 - public policies that drive transmission needs,
 - parameters of Public Policy (Economic) Study, &
 - if state interest, parameters of detailed Transmission Study
- States decide whether to be Participating States in proposed project
 - No involuntary allocation
- Final state analysis & decisions by Participating States' regulatory authorities
 - Provides open, formal process for stakeholders & interested persons
 - Results in formal state decision upon which ISO-NE will base cost allocation

Irrespective of collective state evaluation of proposed project, 1 or more states could always elect to move forward with a proposed project that those states determine would meet public policy objectives & assign costs to their customers

Identification of Public Policy That Drives Transmission

- NESCOE takes stakeholder input on which, if any, Public Policy Requirements drive transmission needs & are appropriate to consider in planning through:
 - written comment to NESCOE and/or
 - stakeholder input session(s) held in connection with PAC meeting(s)
- NESCOE conveys in writing decision about which, if any, transmission needs are driven by Public Policy that ISO-NE will analyze
 - In this communication, NESCOE will explain why other needs suggested in the process will not be evaluated
- States expect to reach decisions by consensus.
 - If not, rely on NESCOE voting mechanism (load weighted & majority vote)

Study Mechanism

- Make use of current studies in tariff, i.e., Economic Study
 - Referred to in this context as Public Policy Study
- Allocate to NESCOE at least 1 study at least once every 2 years to enable analysis of potential implications Public Policy Requirements that states identify collectively
- PAC provides input to NESCOE & ISO-NE on proposed study parameters & assumptions
 - PAC input also on draft Public Policy Study results
- ISO-NE's Public Policy Study conducted to analyze public policy requirements and/or public policy targets will include transmission project cost estimates

Detailed Transmission Analysis

After review of Public Policy Study results, NESCOE may choose to request that ISO-NE perform associated detailed transmission studies

- Transmission study according to parameters & assumptions identified by NESCOE or developed with NESCOE approval
- PAC input - NESCOE will discuss transmission study scope & assumptions with PAC

Projects May Meet Multiple Needs

- If Public Policy Requirements & market efficiency or reliability needs align, Transmission Studies may include analysis of potential solutions that may address all 3
- ISO-NE make preliminary determination whether and if so the extent to which proposed transmission solution is needed for reliability
 - e.g., would increase in facility size enable renewable power development?
- If Participating States agree that portion of transmission project ISO-NE determines *not* needed for reliability meets the Participating States' public policy needs, balance of project may be a public policy project for cost allocation purposes

State Regulatory Evaluation & Decision

- Public Policy Project *only* moves forward if Participating States conclude expected benefits outweigh expected costs
 - However, participants are not precluded from moving public policy-related projects forward funded under existing cost allocations methods, i.e., generator interconnections, elective transmission upgrades, etc.
- Evaluation requires mechanisms for cost control & assurance of delivery of benefits
 - Power purchase agreements or other contractual arrangements will ensure commitments in place
 - Such contractual agreement may provide, for example, for recovery of transmission costs through tariff
- To be a Public Policy Project, any contract or inclusion of transmission costs associated with public policy projects will be approved by state regulatory authority
 - **Input opportunity for interested persons & stakeholders**

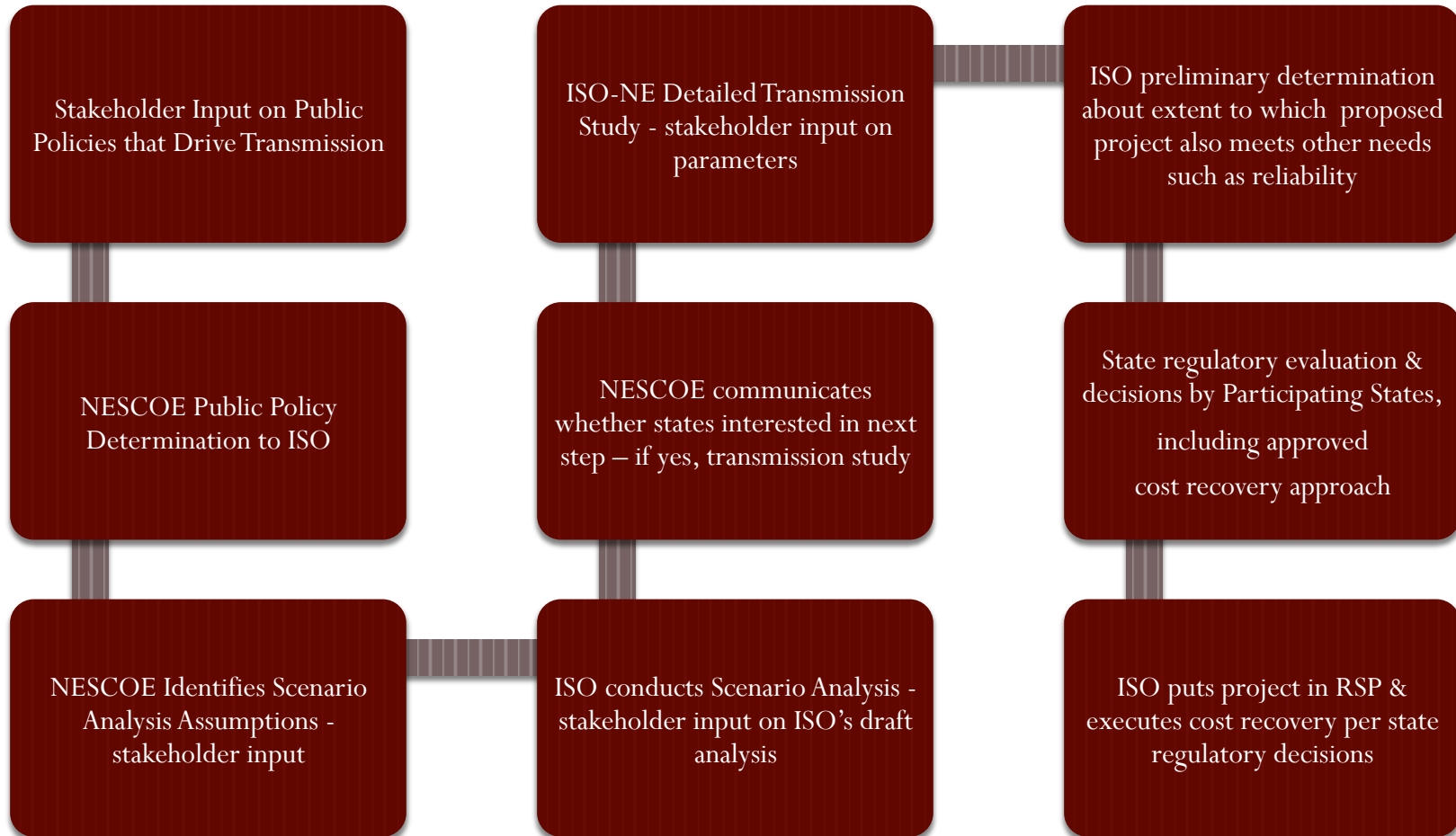
Following State Regulatory Decisions...

- If Participating States' regulatory authorities approve agreement or inclusion of transmission costs associated with Public Policy Projects, ISO-NE
 - include projects in RSP &
 - provide for transmission cost recovery consistent with Participating States' regulatory authorities' decisions
- State decisions may include approval of a cost allocation mechanism (to be determined) in the tariff
 - use of the term "regional tariff" does not mean that any customers other than Participating States' customers would be subject to any charge

1 or more states always free to move ahead with project: If states collectively do not conclude that a Public Policy Project satisfies Public Policy Requirements, 1 or more states could still conclude that a project satisfies their own states' public policy objectives & assign some or all of the project costs to their own customers

General Process Flow

(Refer to framework for details)



QUESTIONS & DISCUSSION