



Gordon van Welie  
President and Chief Executive Officer

February 2, 2009

The Honorable John Baldacci  
Governor  
State of Maine  
1 State House Station  
Augusta, ME 04333

Dear Governor Baldacci:

I am writing in response to your January 22 request that ISO New England support the New England Governors in the development of a regional vision for the New England electric system. As you know, the six-state system has been built over several decades as a regional grid based on the benefits and efficiencies achieved by sharing in the integration and use of electric infrastructure. In this regard, it also makes sense to have a regional approach to the development of renewable power that can take into account the individual opportunities and goals of each state – while maximizing the overall benefit.

ISO New England would be pleased to assist in this effort. As your letter mentioned, the policy foundation that will guide this regional vision has largely been established through various regional organizations such as the New England Governors' Conference, the New England Conference of Public Utilities Commissioners and the newly created New England States Committee On Electricity (NESCOE) -- as well as at the state level where each of the six New England states has established, and are in the process of implementing, aggressive policies for the development and use of renewable power and demand resources.

The region has made great progress with regard to assuring resource adequacy and addressing transmission projects required to ensure power system reliability. Also, we are pleased with the strong response by demand resources in the regional Forward Capacity Market. However, we do face certain realities in New England that challenge our energy future and we agree that a comprehensive plan to enable the integration of renewable and carbon-free energy resources will be a critical element in successfully meeting these challenges in the future.

As the regional transmission organization, we would like to suggest that the appropriate role for ISO New England would be to provide a transmission planning service for the New England Governors focused on the integration of renewable and carbon-free energy resources into the power grid. In this regard, the ISO's role would be to assist the New England States, with the support of the region's Transmission Owners as needed, in the development of a long-term plan for the New England transmission system that incorporates the unique attributes and goals of each state and the possibility of additional renewable or carbon-free electricity imports from neighboring regions.

The ISO can also provide analysis of the performance and impact of various projects on the reliability and economics of the power system, similar to the 'Scenario Analysis' work we undertook in 2007. Last year ISO New England received authority from the Federal Energy Regulatory Commission

(FERC) to conduct studies of the power system to identify transmission projects that might provide economic benefits to the region. In fact, some of the preliminary study work may serve to inform the proposed plan.

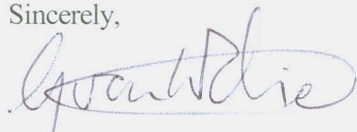
In our view, two important principles are necessary to be successful in the creation and implementation of the long-term vision and plan you describe in your letter.

- First, in order to recognize the long-term nature of these developments, the plan should have a time horizon significantly beyond the current Regional System Plan (RSP). (The RSP is focused on ensuring reliability of the regional power grid within a ten-year timeframe, in accordance with the North American Electric Reliability Corporation (NERC) standards and as mandated by Congress in the Energy Policy Act of 2005).
- Second, since this plan will be addressing long-term economic and environmental goals, the states should have decisional control over the rate of implementation of the identified transmission projects, so that the investments remain consistent with the outcomes desired by the states.

The success of any project such as this depends on ensuring a clear understanding of its objectives and requirements. It would be very helpful to meet with the New England Governors to discuss and decide the scope, process and timeframe for the development of such a plan. Additionally, it would be helpful if the ISO could be present for the meeting of the New England Governors taking place on February 22 to hear the deliberations on this topic first hand.

The creation of a long-term transmission plan, which builds upon the foundation we have created in the Regional System Plan, will be important for New England's energy future, and ISO New England stands ready to support the New England Governors in this regard.

Sincerely,



Gordon van Welie  
President and Chief Executive Officer

cc:

Senator Olympia Snowe  
Senator Susan Collins  
Congressman Michael Michaud  
Congresswoman Chellie Pingree  
Governor John Lynch, New Hampshire  
Governor Deval Patrick, Massachusetts  
Governor Donald Carcieri, Rhode Island  
Governor M. Jodi Rell, Connecticut  
Governor Jim Douglas, Vermont  
John Kerry, Director, Governor's Office of Energy Independence & Security  
John Shea, Director of Policy and Programs, New England Governors' Conference, Inc.  
Karin Tilberg, Governor's Office, Senior Policy Advisor