

To: Market Participants

From: Gordon van Welie, President and Chief Executive Officer

Date: January 6, 2010

Subject: ISO New England Comments on 2009 Months Subsequent to the 2009 SAS 70 Type 2 Audit Period

The recently completed SAS 70 Type 2 audit for ISO New England Inc. (ISO-NE) covered the controls surrounding the processes and systems for bidding, accounting, billing and settlement for energy, regulation, reserves, capacity, transmission, demand response, tariff and related market operations and settlement services for the period of October 1, 2008 to September 30, 2009. The Independent Auditors of the SAS 70 report have issued unqualified opinions that state the following:

- ISO-NE's description of controls presented fairly, in all material respects, the aspects of ISO-NE's controls that may be relevant to the market participant's internal control, as it relates to an audit of financial statements.
- The controls were suitably designed to provide reasonable assurance that the control objectives, would be achieved if the described controls were complied with satisfactorily, and market participants and sub-service organizations applied the controls contemplated in the design of ISO-NE's controls.
- Such controls had been placed in operation as of September 30, 2009.
- The controls that were selected for testing were operating with sufficient effectiveness to provide reasonable, but not absolute, assurance that the control objectives were achieved during the period from October 1, 2008 to September 30, 2009.

ISO-NE selected this audit period so the market participant auditors receive the SAS 70 Type 2 Audit Report in time for the calendar year end financial statement audit planning phase. Since the audit opinion does not extend beyond the audit period or include the period of October 1, 2009 to December 31, 2009, this letter assists the market participant auditors in understanding any changes to the ISO-NE control environment during this three-month period.

During this three-month period, the essential elements of the control environment such as governance, oversight responsibility and organizational structure remained relatively unchanged from those in place during the audit period. There were no significant process or system changes for bidding, accounting, billing and settlement for energy, regulation, reserves, capacity, transmission, demand response, tariff and related market operations and settlement services. Also, ISO-NE has committed to a practice of engaging an independent third-party to review and certify that the market software complies with governing agreements for significant market enhancements or a new market feature. The Internal Audit Department continues to actively review ISO New England's processes and systems. This three-month period will be included in the next SAS 70 Type 2 audit, which will cover the period October 1, 2009 to September 30, 2010.

If you have any questions regarding the SAS 70 audit, please contact the ISO Customer Service Department at (413) 540-4220.