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June 21, 2007

VIA HAND DELIVERY

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

**Re: ISO New England Inc., Docket Nos. ER07-546-000, ER07-547-000,
and RM06-8-000, Compliance Filing Setting Forth Prioritization of Issues
and Requesting Technical Conference**

Dear Secretary Bose:

Pursuant to Rule 1907 of the Federal Energy Regulatory Commission's ("FERC" or "Commission") Rules of Practice and Procedure, 18 C.F.R. § 385.1907 (2006), ISO New England Inc. (the "ISO") and the New England Power Pool ("NEPOOL") Participants Committee (collectively, the "Filing Parties") hereby submit an original and five (5) copies of this compliance filing pursuant to the Commission's order conditionally approving market rules for the Forward Capacity Market ("FCM")¹ issued on April 16, 2007 ("April 16 Order")² in which the Commission ruled on certain aspects of the filing made by the ISO on February 15, 2007 ("February 15 Filing").³

¹ Capitalized terms used but not defined in this filing are intended to have the meanings given to such terms in the February 15 Filing, the Second Restated New England Power Pool Agreement (the "Second Restated NEPOOL Agreement"), the Participants Agreement, or the ISO New England Inc. Transmission, Markets and Services Tariff ("ISO Tariff").

² *ISO New England Inc.*, 119 FERC ¶ 61,045 (April 16, 2007) ("April 16 Order").

³ Filing Containing Revisions to Market Rules Implementing FCM Settlement Agreement, Docket No. ER07-546-000 (Feb. 15, 2007) ("February 15 Filing").

As was noted in the April 16 Order, the ISO committed in its February 15 Filing to make a compliance filing setting forth the order of priority in which the ISO will consider certain important regional projects, including issues related to the implementation of FCM, on the earlier of September 1, 2007, or thirty days after a meeting with the New England Conference of Public Utility Commissioners (“NECPUC”) and NEPOOL stakeholders where such a prioritization was a major topic.⁴ Since the April 16 Order, the ISO has held a number of ongoing consultations and meetings with NECPUC and NEPOOL to discuss prioritization of key issues for 2007 and 2008. As a result of those efforts, the ISO has completed a priority list of issues that reflects the input of and is supported by NEPOOL.⁵ At this time and with the benefit of those ongoing consultations and meetings, the ISO and NEPOOL believe it is important to identify such prioritization of issues for the Commission.

In addition, the ISO and NEPOOL request a technical conference during the week of July 23, 2007 for purposes of discussing the major project priorities outlined in the instant compliance filing that will occupy the ISO’s resources, and the resources of the NEPOOL Participants during the next two years. As noted in Section VI of this filing below, this requested technical conference is to permit additional dialogue among representatives of state regulators, ISO and Market Participants, with the involvement of the Commission, in order to ensure that priorities for the New England region reflect the full benefit of the Commission’s views after consideration of the diverse viewpoints of all interested entities.

I. BACKGROUND⁶

Pursuant to the terms of the FCM Settlement Agreement (“FCM Settlement”) filed on March 6, 2006⁷ and approved by the Commission on June 16, 2006,⁸ and pursuant to Section 205 of the Federal Power Act (“FPA”),⁹ the ISO submitted its February 15 Filing containing revisions to the Market Rules implementing the FCM Settlement. Among other matters, in the February 15 Filing the ISO discussed several issues that were not addressed in the filing that need to be considered as the FCM is implemented, and certain tasks that remain to be done separate and apart from the FCM.¹⁰ The ISO stated that each of the identified policy issues is complex, and that discussion and resolution of the totality of the issues will require a significant

⁴ April 16 Order at PP 60, 62, 82; February 15 Filing at 22.

⁵ While the priorities reflected in this informational filing reflect the input of representatives of the ISO, NECPUC and NEPOOL, NECPUC and its individual members were not in a position to join in this filing and may be providing separate comments regarding their individual and/or collective views.

⁶ For a more complete background, please consult prior orders in this proceeding. *See e.g.*, *Devon Power LLC*, 111 FERC ¶ 63,063 (2005) (Initial Decision); *Devon Power LLC*, 115 FERC ¶ 61,340 (2006) (FCM Order), *order on reh’g*, 117 FERC ¶ 61,133 (2006) (FCM Rehearing Order).

⁷ *Devon Power LLC*, Explanatory Statement in Support of Settlement Agreement of the Settling Parties and Request for Expedited Consideration and Settlement Agreement Resolving All Issues, Docket Nos. ER03-563-000, -030, -055 (filed Mar. 6, 2006) (“FCM Settlement”).

⁸ *Devon Power LLC*, 115 FERC ¶ 61,340 (“June 16 Order”), *order on reh’g*, 117 FERC ¶ 61,133 (2006).

⁹ 16 U.S.C. § 824d (2006).

¹⁰ February 15 Filing at 20-22.

expenditure of effort on the part of the ISO and the New England states and stakeholders.¹¹ To assure that these efforts are efficient, the ISO underscored the need to prioritize these issues and devote resources to systematically consider and craft effective responses to them. Accordingly, the ISO stated that it intended to consult with NECPUC and NEPOOL representatives concerning prioritization of issues and committed to make a compliance filing no later than September 1, 2007 setting forth a prioritization of the issues.¹²

Certain parties protested this approach and, instead, urged the Commission to adopt a set timetable for resolving specific issues.¹³ Among the issues that parties sought to have addressed ahead of other issues were the interconnection queue process to be followed once the FCM is adopted and the circumstances, terms and conditions for Reliability Agreements after FCM implementation. Other issues included the adoption of more flexible arrangements for the participation of seasonal demand resources in the FCM. For example, the Connecticut Department of Public Utility Control (“CT DPUC”) stated:

First, contrary to ISO-NE’s proposed approach, the Commission should establish a procedure and timetable now to resolve serious conflicts between the FCM and the New England Interconnection Queue that, if permitted to persist, will conflict with and jeopardize the underpinnings of the FCM Settlement. This acute antagonism cannot abide further delays to assess priorities, and the Commission should dictate a protocol for prompt resolution. Second, because at its core, the FCM Settlement is designed to obviate the need for RMR agreements, the Commission should clarify the circumstances when reliability agreements may be warranted and the terms for such out-of-market contracts.¹⁴

The Commission in its April 16 Order accepted the February 15 Filing subject to the condition that the ISO file certain changes set forth in the body of the order.¹⁵ In addition, rather than pre-judge the prioritization process, the Commission acknowledged the ISO’s intent to file the instant compliance filing setting forth the order of priority in which it will consider important issues relating to FCM.¹⁶

¹¹ *Id.* at 22.

¹² *Id.*

¹³ *See e.g.*, Request for Rehearing and Motion for Clarification by the New England Conference of Public Utility Commissioners, the Connecticut Department of Public Utility Control, the Vermont Department of Public Service, the Vermont Public Service Board and the Connecticut Office of Consumer Counsel, Docket No. ER07-546-001 (May 16, 2007); Protest of Comverge, Inc, Conservation Law Foundation, Connecticut Office of Consumer Counsel, The E Cubed Company, LLC., Massachusetts Division of Energy Resources, New Hampshire Public Utilities Commission, Northeast Energy Efficiency Partnerships, and National Association of Energy Services Companies, Docket No. ER07-546-000 (Mar. 8, 2007).

¹⁴ Notice of Intervention, Protest, and Comments of the Connecticut Department of Public Utility Control Regarding Revisions to Market Rule 1 Relating to the Forward Capacity Market, Docket No. ER07-546-000 (Mar. 8, 2007) at 13.

¹⁵ April 16 Order at Ordering Paragraphs (A) through (F).

¹⁶ *Id.* at P 60.

In this regard, the Commission provided specific comments and requirements with respect to certain issues. With respect to modifying the interconnection queue process to coordinate with FCM, the Commission declined to set a time table for resolution of the issue, but stated: “While we will not prioritize among the listed issues for the region, we believe that the interconnection queue issue is of sufficient importance to merit, at the very least, a position near to the top of any list of priority.”¹⁷

Regarding the prioritization of updating the Reliability Agreement process, the Commission held: “While we will not order a date by which this filing should be made, we agree with ISO-NE that it would be desirable to have its Reliability Agreement process redesign in place before the first Forward Capacity Auction to provide a more transparent rate structure for compensation of units under any potential Reliability Agreements.”¹⁸

Finally, with regard to the integration of seasonal demand resources into the FCM, the Commission noted that “[w]e view this issue as a high priority, and ISO-NE appears to share this view.” The Order went on to require a stakeholder process to address this issue, stating: “ISO-NE is also directed to submit, by February 29, 2008, a compliance filing that reports both on the composite bid process and on the status of this stakeholder process, including, if appropriate, a schedule for implementing options that better optimize seasonal bids for the second auction scheduled for December 2008.”¹⁹

On May 16, several state regulatory agencies²⁰ filed for rehearing of the April 16 Order. In so far as that request relates to the instant filing, these state regulators reiterated that the queue issues should be resolved with Market Rules being filed no later than February 1, 2008, revamping the queue to work in complete harmony with FCM. They further urged that Reliability Agreement compensation issues should be resolved prior to the first FCA. On May 31, 2007, the ISO filed its answer to this rehearing request, again urging the Commission to consider prioritization of ISO work pursuant to this compliance filing, rather than in the context of the rehearings.²¹

II. IDENTITY OF FILING PARTIES

The ISO is the private, non-profit entity that serves as the regional transmission organization (“RTO”) for New England. The ISO administers the New England energy markets

¹⁷ *Id.* at P 69.

¹⁸ *Id.* at P 85.

¹⁹ *Id.* at P 152.

²⁰ Request for Rehearing and Motion for Clarification by the New England Conference of Public Utility Commissioners, the Connecticut Department of Public Utility Control, the Vermont Department of Public Service, the Vermont Public Service Board and the Connecticut Office of Consumer Counsel, Docket No. ER07-546-001 (May 16, 2007).

²¹ Motion for Leave to Answer and Answer of ISO New England Inc., Docket No. ER07-546-001 (May 31, 2007).

and operates the New England bulk-power system pursuant to the ISO Tariff and the Transmission Operating Agreement with the New England transmission owners. The ISO provides transmission service pursuant to the region's open access transmission tariff ("OATT"). The ISO also is responsible for maintaining the reliability of the region's bulk-power system and for managing the region's system planning process.

NEPOOL is a voluntary association organized in 1971 pursuant to the New England Power Pool Agreement, and it has grown to include more than 300 members. The Participants include all of the electric utilities rendering or receiving services under the ISO Tariff, as well as independent power generators, marketers, load aggregators, brokers, consumer-owned utility systems, demand response providers, end users and a merchant transmission provider. Pursuant to revised governance provisions accepted by the Commission in *ISO New England Inc. et al.*,²² the Participants act through the NEPOOL Participants Committee. The NEPOOL Participants Committee is authorized by Section 6.1 of the Second Restated NEPOOL Agreement and Section 8.1.3(c) of the Participants Agreement to represent NEPOOL in proceedings before the Commission.

III. STAKEHOLDER PROCESS AND STAKEHOLDER REVIEW OF PRIORITIES

Before turning to the prioritization of the issues, it is important to briefly put the process of prioritization in a resource context, both with respect to stakeholder processes, which is described briefly in this Section III and with respect to the ISO resource commitments, which are further described in Section IV. Each change to the ISO Tariff – whether it is a Market Rule, an OATT provision, a change to the Large Generator Interconnection Agreement ("LGIA") process or a change to Reliability Agreements or the process for a Market Participant to file for an agreement – must go through the Commission-approved stakeholder process before being submitted to the Commission for approval. That stakeholder process for Market Participants is carefully detailed in Section 11 of the Participants Agreement.²³ Under that process, proposed changes generally are first vetted through one of three NEPOOL Technical Committees – the Markets Committee, the Reliability Committee, or the Transmission Committee or vetted through the Budget & Finance Subcommittee. That technical review is found to be most effective when the topic covered by a proposed tariff change is discussed during at least three meetings of the appropriate committee--one to discuss the reasons and circumstances for a proposed change, one to review the specific changes, and one to vote on the proposed changes. After this review, proposed tariff changes must be voted on by the NEPOOL Participants Committee. Simultaneously, while representatives of state public utility regulators participate in the NEPOOL stakeholder process, the ISO also reviews many of the key proposed tariff changes with representatives of state regulatory agencies through separate meetings with state regulators. Depending on the extent and complexity of the controversy surrounding particular tariff change proposals, and other priorities under consideration by the stakeholders, this stakeholder review process could take from two months to a year.

²² *ISO New England Inc., et al.*, 109 FERC ¶ 61,147 (2004).

²³ Both the ISO Tariff and Participants Agreement were approved, as conditioned, by the Commission's orders granting RTO status. *ISO New England, Inc.*, 106 FERC ¶ 61,280, *order on reh'g*, 109 FERC ¶ 61,147 (2004), *operations authorized*, 110 FERC ¶ 61,111 (2005).

On April 2, April 30 and May 21, 2007, representatives of ISO senior management, NEPOOL and NECPUC met to discuss the prioritization of key issues. Additionally, the NEPOOL Participants Committee was briefed by the ISO at its May 4, 2007 and June 8, 2007 meetings. Attachment A to this filing is the slightly modified version of the PowerPoint presentation used at those meetings to lay out the issues. The order of prioritization of issues below is a result of those meetings.

IV. ISO INFRASTRUCTURE AND BUSINESS PROCESSES CONSIDERATIONS²⁴

Once a tariff change proposal has been adequately developed and vetted through the stakeholder process, the Information Technology (“IT”) infrastructure and business processes must be developed to actually implement the change. The ISO adopts a Software Development Life Cycle (“SDLC”) process for the purpose of developing new software and technology infrastructure. This process provides for auditable internal controls and helps ensure high quality. There are distinct phases within the SDLC associated with the development of functional design specification, software development and testing. Initially the ISO tariff design needs to be translated to a functional design. Typically, for medium to complex projects, this phase takes between six and ten weeks. The next steps include the development of software systems and several levels of rigorous testing. These steps typically take between twenty and forty weeks depending on the complexity of the project.

Another key step in the project is to clearly define business processes and provide training to control room operators (all six shifts), market administration and forecast office personnel and market participants. Given the importance of ensuring that software systems are consistent with the filed ISO Tariff, the ISO takes extreme care in ensuring that all of its pricing and dispatch algorithms are independently certified prior to going live. These steps associated with business processes, training and certification typically take between twelve and eighteen weeks. All of the aforementioned steps are critical to ensuring good quality and minimizing the risk of any disruption to the ISO’s mission of maintaining reliability and administering efficient markets.

V. PRIORITIZATION OF ISSUES

The ISO and NEPOOL propose the following prioritization of issues for 2007 and 2008, which is based upon current circumstances and will need to evolve as new matters arise and as time frames for particular projects actually develop. The suggested priority list is based on multiple factors, including already-established FCM implementation dates and required Commission deadlines, many of which are beyond the control of the ISO and NEPOOL. These factors, together with the ISO’s infrastructure and business processes discussed in the prior

²⁴ This Section reflects ISO business considerations based on the ISO’s institutional experiences and knowledge, and therefore is not joined in separately by NEPOOL. Those business considerations, however, have been discussed with NEPOOL and NECPUC and were factored into the schedule of priorities that the ISO and NEPOOL now jointly file.

section of this filing, informed or in some cases dictated the final prioritization schedule now jointly filed by ISO and NEPOOL.

In addition, the projected scope and length of time needed for many of the projects is conceptual at this point and each project will be better defined through stakeholder input at its initial stages and during project work. New priorities imposed by federal or state mandates or other critical needs will necessarily impact the projects discussed herein. Generally, the top priorities include FCM implementation, long-term firm transmission rights (“LFTR”) implementation, redesign of the interconnection queue process, review of the treatment of Seasonal Demand Resources, and revision of the Reliability Agreement process.²⁵ These projects are either required by a FERC order (*i.e.*, FCM and LFTR implementation), or have been identified by the ISO, the states and stakeholders as matters of significantly high importance (interconnection queue redesign, treatment of Seasonal Demand Resources, and the Reliability Agreement process).

The ISO, the states and stakeholders have identified numerous additional priorities that are: mandated by FERC, critical to the reliable operation of New England’s bulk power system, essential for long-term planning of the regional transmission system or integral to the timely implementation and successful operation of the various markets administered by the ISO. These projects are identified in Attachment A on page 4. On page 5 of Attachment A, several other important activities are identified which play a valuable supporting role in the development and implementation of the various initiatives identified above. The remainder of Attachment A provides significant detail and time frames for the projects listed on pages 4 and 5. Collectively, the tasks found on Attachment A will fully occupy the resources of the ISO and NEPOOL during 2007 and 2008. The ISO submits that, given its resource limitations, the addition of any significant new project could displace these identified initiatives, throwing off balance the careful coordination of these activities. The key priorities are discussed in further detail below.

A. Implementation of the FCM

The first priority which is mandated by FERC is implementation of the FCM. The ISO will spend the second quarter of 2007 through the first quarter of 2008 preparing for and running the first FCA. The ISO has reported that significant software and systems infrastructure needs to be developed and put in place prior to running the first FCA. Given the high degree of complexity of the auction engine and optimization, the ISO has dedicated most of its development resources to this project. Qualification of resources has commenced and will culminate with notification, no later than October 1, of each resource’s status for the FCA.²⁶

²⁵ Reliability Agreements are also referred to in the ISO’s February 15 Filing and the Commission’s April 16 Order as “Reliability Must Run” or “RMR” agreements.

²⁶ The ISO has received Show of Interest applications for over 17,200 megawatts (MW) of power resources. As of the February 28, 2007, deadline, the ISO received over 250 Show of Interest applications for new Demand-Resource capacity representing a total of 2,279 MW from resources such as energy efficiency, load management, and distributed generation. The deadline for new generation resource applications was December 31, 2006, and the ISO received applications for over 15,000 MW of generation capacity through proposed supply-side resources. See http://www.iso-ne.com/pubs/whtpprs/show_of_interest_summary_fact_sheet.pdf

Simultaneously, the Internal Market Monitoring Unit (“INTMMU”) will review de-list bids in excess of 80% of Cost of New Entry (“CONE”) and new resources that seek to offer below 75% of CONE. These determinations, along with the determination of locational zones, will be filed with the Commission on November 1, 2007. Challenges to any ISO determinations will then need to be litigated over the following 75 days. No later than August 27, 2007, the ISO must make its compliance filing with respect to exports through a constrained zone.²⁷ By September 1, 2007, after stakeholder review, the ISO must make its filing in compliance with the April 16 Order and also anticipates an additional Section 205 filing to clarify certain aspects of the FCM market rules. (See Attachment A at pp. 7, 13-14 for details on these timelines.)

In order to run the first FCA, the ISO must file the Installed Capacity Requirement (“ICR”) with the Commission by October 1, 2007.²⁸ The ISO is currently developing this calculation and presenting its analyses in the stakeholder process. Any litigation of this issue will likely take place during the fourth quarter of this year.

While heavily engaged in preparation for and running of the first FCA, the ISO will commence its preparations for the second FCA to be run in December, 2008. Preparations and submissions for the second FCA will take place from the third quarter in 2007 through the third quarter in 2008. This process begins with the submission of Show of Interest forms on September 4, 2007 through October 31, 2007. (See Attachment A at pp. 7, 13-14 for details on these timelines.)

B. LFTR Implementation

The second mandatory priority is LFTR implementation, which is required pursuant to Commission Order Nos. 681 and 681-A.²⁹ On January 29, 2007, the ISO and NEPOOL proposed amendments to the ISO Tariff in compliance with these orders. The filing included a comprehensive package of changes to the existing ISO Tariff system. Implementation of these changes will require extensive software and business process changes as well as market participant training. In the filing, the ISO and NEPOOL requested Commission approval to implement the LFTR package on or after August 29, 2008. Accordingly, the ISO anticipates spending the remainder of 2007 through the third quarter of 2008 on LFTR implementation.

This schedule, however, is currently facing significant risks and the potential for additional expenditure of resources and/or a delay in implementation. When the compliance filing was made, Commission action was anticipated within 60 to 120 days. The ISO’s

²⁷ *ISO New England Inc.*, 118 FERC ¶ 61,157 at P 43 (February 28, 2007).

²⁸ The CT DPUC’s challenges to the jurisdiction of the Commission to determine ICR are currently pending on rehearing and remand. See *Connecticut Department of Public Utility Control v. FERC*, No. 05-1411 (D.C. Cir. Apr. 20, 2007) (remand order), FERC Docket No. ER05-715-002 (remand proceeding); *ISO New England Inc.*, 118 FERC ¶ 61,157 (February 28, 2007), *reh’g pending*, Docket No. ER07-365-002.

²⁹ *Long-Term Firm Transmission Rights in Organized Electricity Markets*, Order No. 681, 71 Fed. Reg. 43564 (Aug. 1, 2006), FERC Stats. & Regs. ¶ 31,226 (2006) (“Order No. 681”); *Long-Term Firm Transmission Rights in Organized Electricity Markets*, Order No. 681-A, 71 Fed. Reg. 98440 (Nov. 27, 2006), 117 FERC ¶ 61,201 (2006), *reh’g requested* (“Order No. 681-A”).

implementation schedule reflected that expectation. The ISO has concluded that, in order to meet the August, 2008, schedule, the ISO must execute a software development contract by August 2007, but that contract must reflect the outcome of any Commission action on the compliance filing. Any delays in the execution of the software contract with the ISO's external vendor has the potential of increasing project costs and jeopardizing the implementation date. The potential increase in project costs is due to the possibility that the vendor resources are reassigned to other clients. It is also important to note that significant changes to the filed design that might require a stakeholder process, or rework of the functional design, will also jeopardize the implementation date.

C. Review of Composite Offers and Treatment of Seasonal Demand Resources

In the April 16 Order, the Commission required a report on composite offers, currently due on August 2, 2007³⁰ and a filing regarding further incorporation of seasonal demand resources into the market by February 29, 2008. Treatment of seasonal demand resources will be addressed in a stakeholder process during the third quarter of 2007 through the first quarter of 2008. Full incorporation of demand resources into the markets and ensuring that seasonal demand resources can be effectively considered is a key priority for the ISO and New England. However, the reliability criterion that FCM is designed to meet is an annual criterion. This means that resources procured in FCM must be available all year around. If seasonal demand resources are to participate in the auction, ways to replace those resources in the rest of the year must be found to maintain the integrity of the auction and assure the reliability criterion is met. Thoughtful analysis of this issue will demand significant effort by the ISO as well as NECPUC and NEPOOL stakeholder input during the tight schedule in the latter half of 2007.

D. Review of the Interconnection Queue

After taking into consideration the implementation of FCM and LFTRs, ISO consideration and state and stakeholder review of the interconnection queue in conjunction with FCM is the highest and most complex priority going forward. As noted in the February 15 Filing: "Of all the issues presented for resolution with FCM, it is the ISO's expectation that the joint issues of deliverability and the queue will require the most thought, stakeholder input and ISO resources to address." The current plan is that interconnection queue redesign will take place during the third quarter of 2007 through the third quarter of 2008. This schedule will allow implementation of a redesigned queue process, if approved, for application in the third FCA. The ISO expects formulation of solutions to occur in the second quarter of 2008 and culminating in a Commission filing during the third quarter of 2008. This process will also include consideration of the question of intra-zonal deliverability, which the Commission has required the ISO to consider and which is closely related to the interconnection queue issue in the FCM.³¹

³⁰ *ISO New England Inc.*, Notice of Extension of Time, Docket No. ER07-938-000 (May 30, 2007).

³¹ See April 16 Order at P 62. See also Motion for Extension of Time and Request for Expedited Treatment and Shortened Comment Period of ISO New England Inc., *New England Power Pool, et al.*, Docket Nos. ER04-433-000, *et al.* (June 5, 2007).

E. Review of Reliability Agreements

Another key and critical issue is the resolution of certain issues related to Reliability Agreements, including the process for obtaining a Reliability Agreement, the form of the Reliability Agreement, and compensation. These issues will undergo stakeholder review during the fourth quarter of 2007 and first quarter of 2008, with a Commission filing of tariff and market rule revisions anticipated during the second quarter of 2008.

F. Other priorities

There are several other important issues, identified on page 4 of Attachment A, that are critical in maintaining reliability, meeting regulatory obligations and effectively running New England's electric system. These include, during the remainder of 2007 and 2008:³²

- the Southeastern Massachusetts ("SEMA") transmission upgrades;
- transmission planning for the New England East West Solution ("NEEWS");
- NERC standards compliance;
- NERC cyber-security compliance;
- updating the transmission operating guides;
- updating the 2007 Regional System Plan ("RSP '07");
- conducting a NERC ten year transmission assessment;
- submitting a compliance filing pursuant to FERC Order No. 890;
- conducting a Scenario Analysis;
- implementing the financial assurances aspects of the ISO Tariff and weighted EFORD for the ICAP Transition period;
- second New Brunswick tie implementation;
- VAR changes;
- addressing the info bid data lag;
- outage scheduler replacement; and
- pricing external nodes.

Finally, there are several other matters, identified on page 5 of Attachment A, that the states, stakeholders and the ISO seek to achieve in 2007 and 2008, but which are not directly related to FCM implementation. Nevertheless, they are important steps that are necessary to support the New England markets. These include:

- market simulator enhancements;
- combined cycle modeling to permit more flexible use of such resources;
- transmission cost allocation;
- transmission planning studies for northern New England and western Massachusetts;
- updating the transmission operating guides and RSP '08;
- a wind assessment study;

³² These items are not in priority order but, rather, indicate an overview of the issues.

- smart-grid initiatives;
- software and database upgrades;
- web publishing enhancements;
- unit commitment enhancements;
- improving tools for contingency, stability, and fault analysis;
- conforming markets to the FCM;
- addressing system planning network model management;
- market rule enhancements; and
- FCM Phase III and Phase IV implementation.

VI. REQUEST FOR TECHNICAL CONFERENCE

NEPOOL and the ISO request that the Commission convene a technical conference during the week of July 23, 2007 for purposes of discussing the priorities outlined in the instant compliance filing and other relevant projects that will occupy NEPOOL stakeholder and ISO resources over the next two years. These discussions will provide the Commission with the information necessary to properly evaluate the scope of the workload concerning implementation of the FCM and other interrelated initiatives. In addition, the ISO and NEPOOL seek to ensure that, given the limited resources that stakeholders are able to dedicate to the ongoing projects, if the Commission intends to require other programs or directives concerning the overall prioritization plan for New England, consideration is given to readjusting the priorities outlined in the instant compliance filing.

VII. CONCLUSION

The ISO and NEPOOL Participants Committee respectfully requests that the Commission grant the request for a technical conference to fully discuss the prioritization of issues described herein.

Please acknowledge receipt of the foregoing by date-stamping and returning to our messenger the enclosed extra copies of this filing.

Respectfully submitted,

ISO NEW ENGLAND INC.

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NEW ENGLAND POWER POOL
PARTICIPANTS COMMITTEE

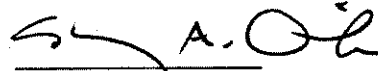
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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.2010 (2006), upon each person designated on the official service list in each of these proceedings as compiled by the Secretary of the Federal Energy Regulatory Commission.

Dated at Washington, D.C., this 21st day of June, 2007.



Sherry A. Quirk

ATTACHMENT A

Discussion of a Draft Proposal for Regional Priorities

Vamsi Chadalavada and Steve Whitley

April 30, 2007

Objective

- The primary objective of this presentation is to
 - Provide a draft proposal for planning the regional priorities for 2007 and 2008
 - Initiate discussions with NECPUC and NEPOOL and seek input on the draft proposal

Looking forward

- The draft priorities are categorized into 'Priorities for 2007' and 'Other Important Activities for 2007/2008'
- The priorities are purely intended to serve as a guide in case of resource/schedule conflicts
- As always, priorities are subject to change based on urgent (or) mandated 'emerging work'

Priorities for 2007

2007			2008			
Q2	Q3	Q4	Q1	Q2	Q3	Q4
Forward Capacity Market Phase I (Primary Auction)						
FCM Resource Qualification (First Primary Auction)		FCM Resource Qualification (Second Primary Auction)				
Forward Capacity Market Phase II						
Long-Term FTR Implementation						
Interconnection Queue Redesign						
Seasonal Demand Resources						
Reliability Must-Run Process						
SEMA Upgrade (Short-Term & Long-Term)						
Transmission Planning for NEEWS (New England East West Solution) and Maine						
VAR Changes						
Transmission Operating Guides Update						
RSP '07 Update (Limited)						
Financial Assurance / ISO Tariff						
Weighted Eford for Transition Market						
Info Bid Data Lag						
Scenario Analysis						
NERC 10-Year Transmission Assessment						
NERC Cyber-Security (CIP) Compliance						
NERC Standards Compliance						
Outage Scheduler Replacement						
FERC Order 890						
External Nodes						
Second New Brunswick Tie Implementation						

System Operations & Planning

Markets / Information Services

Other Important Activities for 2007/2008

2007			2008			
Q2	Q3	Q4	Q1	Q2	Q3	Q4
			Forward Capacity Market Phases III and IV (2008-2010)			
Transmission Planning Studies for Northern NE / Western MA / 1200 MW Limit						
Transmission Cost Allocation						
Combined Cycle Model						
			Transmission Operating Guides Update			
			RSP '08 Update			
Market Simulator Enhancements						
			Web Publishing Enhancements			
			Conforming Markets to FCM			
			Various Market Rule Enhancements			
			System Planning Network Model Management			
Various Software and Database Upgrades						
			Improved Tools for Contingency / Stability / Fault Analysis			
			Unit Commitment Enhancements			
			Wind Assessment Study			
			Smart-Grid Initiatives			

System Operations & Planning

Markets / Information Services

Priorities for 2007

Priorities for 2007: System Planning and Operations

- FCM Resource Qualification for the first primary auction
 - 15 Import Requests
 - 83 New Generators
 - 10 “Existing” Upgrades
 - Evaluate Direct Interconnect requirements
 - Perform Short Circuit studies, Thermal studies and Overlapping Impact studies as necessary to enable resource qualification
 - Meet with applicants and seek transmission owner input as necessary on certain projects
 - Qualify existing resources
 - Publish reports and develop FERC filing
- Immediately following the above, Resource Qualification begins for the second primary auction

Priorities for 2007: System Planning and Operations

- Interconnection Queue Redesign
 - The ISO suggests the formation of a steering committee with NECPUC, NEPOOL and ISO representatives
 - Review of current interconnection queue process to start in Q3 2007
 - Definition of scope and conceptual alternatives to begin in Q4 2007
 - Detailed design of conceptual alternatives to start in Q1 2008
 - FERC filing in Q3 2008
- *On a related note, 7 Feasibility Studies, 18 System Impact Studies, 3 Facility Studies and numerous study agreements are currently underway for the existing interconnection queue

Priorities for 2007: System Planning and Operations

- SEMA Upgrades
 - Investigate Load Shedding Plan
 - Short-term Transmission Upgrade Alternatives and Studies
 - Long-term Transmission Upgrade Alternatives and Studies
- Transmission Planning Studies
 - NEEWS Reports/I.3.9 Analysis
 - Maine Studies:
 - Maine Power Reliability Program (MPRP) Studies
 - Integration of Maine Public Service (MPS) into the New England Control Area
 - Integration of Wind in far Northern Maine

Priorities for 2007: System Planning and Operations

- Transmission Operating Guides Update
 - NRI Studies
 - Mystic/New Boston
 - Others
- Limited RSP07 Update
 - Update Forecasts
 - Determine ICR Values
 - Complete 10-Year Assessment (w/ “baseline” model)
 - Conduct Stakeholder Meetings (Public Meeting in September)
 - Publish Report

Priorities for 2007: System Planning and Operations

- Scenario Analysis
 - Complete “System” Power Supply Studies
 - Complete Special Transmission Planning Studies
 - Write Report
 - Communications with the States
- NERC 10-Year Transmission Assessment
 - Complete 10-year assessment of the New England transmission system (to ensure compliance with NERC and NPCC standards in 2017)

Priorities for 2007: System Planning and Operations

- NERC Standards Compliance
 - Ensure compliance with NERC standards
 - Support Market Participants in gaining compliance
 - Prepare for upcoming NERC/NPCC compliance audits
- FERC Order 890
 - Conduct Staff/Stakeholder Review
 - Coordinate Joint Filings w/ Transmission Owners
 - Modify Processes and OATT language where necessary
 - Complete for FERC filing in September

Priorities for 2007: Markets and Information Systems

- Implementation of Forward Capacity Market Phase I (First Forward Capacity Auction)
 - FCM Market Rules and Auction Manual
 - Auction Engine Development
 - New and Existing Capacity Qualification System
 - Customer Asset Management System
 - Qualification Notification System
 - PowerGem Software System (for overlapping impact studies)
 - Financial Assurance (Deposit)
 - Market Monitoring Review
 - Testing, Market Trials & Certification
 - Business Processes

Priorities for 2007: Markets and Information Systems

- Implementation of Forward Capacity Market Phase II
 - Changes to all Relevant Manuals
 - Bilateral Contracts
 - Annual, Seasonal and Monthly Reconfiguration Auctions
 - FCM Tracking System
 - Complete Financial Assurance Scope
 - Business Processes

Priorities for 2007: Markets and Information Systems

- Implementation of the Long-term FTR market
 - This is a compliance obligation based on FERC order
 - Market Rules filed with the FERC
 - Develop Manuals/Business Processes
 - Design and Develop Software
 - Financial Assurance Design
 - Testing and Training
- Seasonal Demand Resources
 - Launch a stakeholder process aimed at exploring ways by which to improve Seasonal Demand Resources participation in the FCM
 - The ISO will file a compliance filing with the FERC in February 2008 regarding the status of the stakeholder process

Priorities for 2007: Markets and Information Systems

- Reliability Must Run Process
 - Design the process for obtaining a reliability agreement after the expiration of the current agreements (which is at the commencement of the first FCA commitment period)
 - Resolution of a ‘just and reasonable’ rate for delist or export bids under the Forward Capacity Market
 - Develop Market Rules and Manuals
 - Business Processes
- VAR changes
 - Phased implementation of the ISO OATT Schedule 2 Amendments

Priorities for 2007: Markets and Information Systems

- Financial Assurance and ISO tariff
- Weighted Eford for Transition Market
 - Implement a Weighted Eford performance mechanism to calculate unit availability (transition capacity payments will accordingly be reduced by this calculation)
- Info Bid Data Lag
 - Follow up on recent FERC order on this issue
- NERC Cyber Security (CIP) standards
 - Compliance with the NERC CIP 002 – CIP 009 standards
 - Compliance audits to begin in early 2009

Priorities for 2007: Markets and Information Systems

- Outage Scheduler Replacement
 - Consolidation of generation and transmission outages into a single architecture
 - Operational efficiency gains with respect to outage coordination and reporting
- Pricing of external nodes
 - Allows for energy transactions to be scheduled over the 1385 cable

Priorities for 2007: Markets and Information Systems

- Second New Brunswick Tie Implementation
 - Significant expansion of the Network Model to more fully represent New Brunswick
 - Integration of the tie into the New England Reliability and Market models

Other Important Activities for 2007/2008

Other Important Activities for 2007/2008: System Planning and Operations

- Transmission Planning Studies
 - PJM and NYISO imposed 1200 MW loss of source limit
 - Northern NE studies (ME, NH, VT)
 - Western MA studies (NGRID, NU)
- Transmission Cost Allocation
 - Phase II SWCT (Middletown-Norwalk, CT)
 - Boston 345-kV Cable Overrun
 - NWVT Overrun
 - NEEWS

Other Important Activities for 2007/2008: System Planning and Operations

- Update Transmission Operating Guides
 - Continue update of transmission operating guides based on the priorities determined by operational excellence exercises
- RSP08 Update
 - Update Forecasts
 - Determine ICR Values
 - Complete 10-Year Assessment (w/ “baseline” model)
 - Conduct Stakeholder Meetings
 - Publish Report

Other Important Activities for 2007/2008: System Planning and Operations

- Wind Assessment Study
 - Determine System and Local Area Impacts
- Smart Grid Initiatives
 - Improve communication redundancy between Local Control Centers and the ISO
 - Investigate other potential areas for improvement

Other Important Activities for 2007/2008: Markets and Information Systems

- Implementation of Forward Capacity Market Phases III and IV
 - There are other stages of the Forward Capacity Market that need to be implemented between 2008 and 2010.
 - Design Monthly Settlement Model
 - Settlement Software System Development
 - Real-time offers under the FCM
 - Imports and Exports
 - Winter Availability provisions
 - Performance Measurement and Availability Tracking

Other Important Activities for 2007/2008: Markets and Information Systems

- Combined Cycle Modeling
 - Short-term improvements to allow combined cycle models to be modeled in different configurations
- Market Simulator Enhancements
 - Simulation of scenarios to improve the quality of the market design
- Web Publishing – Improved Data and Information
 - Improve information and on an increased frequency (based on requests from various participants)
- Conforming markets to FCM
 - Ensure an efficient interaction between the energy and ancillary services markets and the FCM market

Other Important Activities for 2007/2008: Markets and Information Systems

- Various Market Rule enhancements/clarifications
 - Ancillary Services Market enhancements and reporting
 - Failure-to-follow dispatch instructions
 - Forward Spinning Reserve discussions
 - Fast-start resource definition
 - Review of Minimum Generation rules
 - NCPC rule clarifications
 - Order 890 clarifications
 - Review of Limited Energy Generation rules
 - Review of Energy Hub definition
 - Various Manual definitions and clarifications

Other Important Activities for 2007/2008: Markets and Information Systems

- System Planning Network Model Management
 - Provide a ‘Network Model Case Management’ tool
 - Provide an ability to synchronize different planning network models to ensure efficiency gains
- Various Software and Database Upgrades
 - Ensure end-of-cycle system upgrades such that reliability and markets are not impacted (currently the ISO has more than 1000 servers and 300 databases)

Other Important Activities for 2007/2008: Markets and Information Systems

- Implementation of various tools to improve operator efficiency
 - Dynamic Voltage Analysis
 - Fast Contingency Analysis
 - Visualization Tools
 - Maintenance Scheduling Tools
- Unit Commitment Enhancements
 - Implementation of Mixed Integer Programming for the Unit Commitment

Resource Loading (Markets and Information Services)

ISO Resource Loading (Markets and Information Services)

- The following slide depicts the ‘percentage loading’ of ISO development resources for the identified projects
 - The graph is a projection for the next six months
- As indicated earlier, the ISO plans to use prioritization as a means to handle potential resource/budget conflicts and to schedule future emerging work
 - The ISO will report on a quarterly basis with regard to progress and/or shifts

ISO development resources loading – projected through September 2007

