



To: Vermont System Planning Committee

From: Frank Ettori, Director of NEPOOL/ISO-NE Relations and Power Accounting

Date: April 22, 2015

Re: Update on ISO-New England issues

NEPOOL supports Vermont reliability project

VELCO received stakeholder support for the Vermont Connecticut River Valley Project at the March 17 NEPOOL Reliability Committee meeting. The endorsed project includes a rebuild of the 115kV line between the Coolidge and Ascutney substations, a new Static Var Compensator (SVC) at the Ascutney substation, a new 115kV ring bus at Chelsea, and the division of the existing large Hartford capacitor bank into two smaller banks. The approval culminates four years of planning studies, working group discussions and stakeholder processes to choose the least-cost, most environmentally sound reliability solution for Vermont.

FERC requires ISO-NE to implement market-based winter fuel procurement program

FERC recently ordered New England to develop a market solution to mitigate the risk of winter natural gas shortages, despite the success of ISO-NE's out-of-market fuel procurement program. For the past two years, ISO-NE has conducted an out-of-market program as a stop-gap until its long-term market program, pay-for-performance, goes into effect in 2018. Pay-for-performance will provide market incentives for generators to purchase fuel and operate under winter shortage conditions. In order to comply with the FERC ruling, ISO-NE's temporary market solution will increase the amount of "oil-barrel equivalent" to be procured from 5.1M, the level that proved adequate during this harsh winter, to 7.2M, and will expand the eligible resource types to allow nuclear, hydro, biomass, and pumped storage to participate in this program.

Enhancements to "Do-Not-Exceed" communication process will benefit generators

ISO-NE's control room is implementing a new process for providing real-time "do-not-exceed" values to generators. The change will enable variable resources, such as wind, to maximize generation and adhere real-time to transmission constraints. Variable resources today are dispatched primarily by verbal communication between control rooms. Because these communications do not occur automatically as system conditions change, a time lag may occur before a generator receives an updated instruction that the do-not-exceed value has increased. Curtailment may therefore last hours longer than necessary. The new, automated system will send

variable generators a do-not-exceed value every five minutes. This change is expected to be in service no later than April 1, 2016.

FERC rules on New England's Order 1000 compliance filing

On March 19, FERC issued its decision on New England's Order 1000 compliance filing in a mixed ruling that accepted some arguments Vermont had supported and rejected others. The Order affirms that ISO-NE must remove right-of-first-refusal provisions from its governing documents, rejecting the position that the Mobile-Sierra doctrine protects the right of first refusal provided in the Transmission Operating Agreement. The order, however, permits ISO-NE to restore certain provisions that recognize the transmission owners' rights to retain use and control of their existing rights-of-way.

FERC upheld ISO-NE's compliance filing with respect to public policy cost allocation, rejecting Vermont's argument in support of a different allocation. The Commission found just and reasonable ISO's proposal to allocate costs of public policy transmission upgrades 70 percent to the region based on load-ratio share and 30 percent to those states whose public policies necessitate projects. FERC rejected the proposal Vermont supported to socialize 30 percent and allocate 70 percent to the state(s) requiring the public policy project. FERC has given ISO-NE 60 days to file additional modifications.