

From: Michael Jacobs [Michael.Jacobs@TRANSENERGIEUS.com]
To: jelivingstone@dbh.com
cc: Ray Coxe; Carol Tobian
Subject: PROCESS RE: JOINT NEPOOL/NY ISO MEETING: Feb. 21

Sent: Mon 2/18/02 10:51 AM

TO: NEPOOL Participants Committee

David Doot's e-mail of February 14th and the agenda for the first meeting to discuss Northeast RTO formation place an emphasis on stakeholder participation. Mr. Doot's letter includes as an objective of the first meeting, " to explore ... how to ensure that stakeholders have a meaningful opportunity to affect the form and content of such a combination."

Many organizations will voice their concern that a process that relies on a single representative from a sector will not be adequate or desirable.

TransEnergie U.S. firmly holds this view. Our activities expanding the market and the regulatory framework for transmission are newer than the divisions that were used in the creation of sectors. Our situation may be unusual in that sense, but we illustrate the need for a process that allow groups and meetings be open to all interested parties.

In fact, when TransEnergie U.S. won approval from FERC on June 1, 2000 for the Cross Sound Cable, FERC ordered us to "work with RTOs as they develop in the Northeast to ensure that the RTOs are designed in a manner that accommodates TransEnergie." 91 FERC ¶ 61,230 at 61,840 (2000) We view this as an obligation, and one that applies equally to the organizations seeking to form an RTO.

Our experience in the several discussions of RTO formation, and in general in the governance of the two ISOs, where working groups are open to all, there is self-selection that occurs. A workable number of members routinely participate. If there is concern that the conduct of the meetings may draw down the ISOs' resources, the ISOs can and should improve these meetings by using the services of a professional meeting facilitator.

We anticipate much discussion by participants, and the formation of a plan that reflects understanding of this discussion. We are certain that this requires equal opportunities for participation by all interested parties.

Mike Jacobs
Coordinator, ISO and Regulatory Affairs
TransEnergieUS, Ltd.
110 Turnpike Road, Suite 300
Westborough, MA 01581
Phone: 508-870-9900 x114
Fax: 508-870-9903

New England Public Power Proposal
February 19, 2002

Issues Associated with NY/NE ISO Merger Process

Background Considerations/Assumptions

- NYISO and ISO-NE have announced an intention to work together to develop a “plan” for a single RTO structure that will cover at least the current New England and New York control areas. NYISO and ISO-NE are responsible for providing to the market participants sufficient data to enable them to make an informed decision about whether to support approval of the “plan” including whether to approve amendments to their governing documents (in the case of NEPOOL, the Revised NEPOOL Agreement) to incorporate the new RTO structure.
- By receiving information, attending meetings, or otherwise participating in the “plan” development process, no market participant waives any rights it may have to intervene in proceedings concerning the RTO proposal, or to support, protest or otherwise address in any manner any aspect of an RTO filing, including the authority of the ISOs to make the filing.

Keys to achieving acceptance of the ISO proposals include: (1) the ISOs must develop an RTO structure that creates value for customers, and for which the potential benefits are demonstrable and exceed implementation costs and attendant disruptions; (2) customers must be able to obtain full, timely and accurate information concerning deliberations and status of activities; and (3) customers must have the opportunity to have input into the process, and to have the concerns they express be addressed by the ISOs in the final “plan”. More specifically, the ISOs must be obligated to consider fully all such input and either to incorporate all written recommendations of a sector into the ultimate RTO design or to provide a full written explanation why each recommendation was not incorporated.

Proposed Process

- NYISO and ISO-NE have stated their intention to form task forces to address identified issue/task areas. A seventh task force should be added to address market information/market transparency issues, or the ISOs should clarify which of the six task forces is responsible for addressing these issues.
- The NEPOOL and New York customer groups will each appoint a Steering Committee to facilitate and coordinate interactions with the ISO task forces.
- The respective Steering Committees would be responsible for appointing, electing or hiring an Advisor(s) that will be given full access to all activities undertaken by the two ISOs and their task forces (subject to appropriate confidentiality agreements). The Advisor will act as an observer of, but will not participate in, the negotiations and will keep the Steering Committees apprised of the status of matters before the task forces as

they develop. When so requested by the Steering Committees, the Advisor may convey input to the ISOs and task forces, and request specific items of information or data from the ISOs and the task forces. Where reasonable, requests for information or data will be responded to in a timely manner, consistent with confidentiality concerns and the need to complete the negotiations in a timely manner.

- For NEPOOL, this process would be modeled after the process pursued in conjunction with the Operations Audit.
 - The Steering Committee will hire a designated, independent advisor to monitor the ISO deliberations on behalf of the New England customers.
 - The Advisor will be responsible for keeping the Steering Committee apprised of progress and decisions made by the ISOs. The Advisor will also be responsible for advising the ISO about any customer concerns with the direction they are pursuing. In addition, customers should have the opportunity to periodically interact with the ISO groups.
 - The Steering Committee will meet with the advisor on an as needed basis, but no less frequently than once per week. The Steering Committee members will also be responsible for keeping the other members of their respective sectors up to speed on progress being made.
- The ISOs will hold a status briefing with all stakeholders at least monthly, at locations to be determined. The briefings will include status reports from each task force. Knowledgeable representatives from each task force will be present at the monthly meetings to provide status information and answer questions. Participants will be able to attend these meetings in person, by phone or via webcast.
 - Each of the Task Forces shall post electronically, in a timely manner that is fully accessible by all participants, all documents drafted by, submitted to, or considered by each Task Force. IN addition, each Task Force shall establish a means by which participants will be able to submit comments electronically. All such comments shall be posted and made available to all participants.
 - By March 15, 2002, the ISOs will provide to NEPOOL and the New York customer groups an appropriately detailed cost/benefit analysis of the proposed RTO structure.
 - The ISOs will provide a full detailed briefing at a joint meeting of the NYISO Management Committee and the NEPOOL Participants Committee to be held no later than April 3, 2002.
 - The two ISOs will provide a formal, detailed RTO proposal to the NEPOOL Participants Committee and the NYISO Management Committees in time for action at their respective May 2002 meetings. This proposal should include detailed descriptions of, among other things:

- the rights, responsibilities and authorities of the RTO, the ISOs (to the extent they are to remain in existence), the customers, and any other organizations that are to be accommodated under the new structure (*e.g.*, an ITC);
- any changes in the final market design from the currently endorsed NEPOOL SMD and/or the current NYISO market design, and any changes that will be required to the Restated NEPOOL Agreement;
- the budget for the development, implementation and initial operation of the RTO;
- the timeline for the creation of the new RTO, the tasks to be accomplished to create the new structure, and the entities that responsible for accomplishing each task;
- any updates or other modifications to the cost/benefit analysis provided on March 15, 2002; and
- how the proposed RTO will meet the requirements of Order No. 2000.

**PROPOSAL FOR GREATER PARTICIPANT INVOLVEMENT
IN EVALUATION OF NY/NE RTO**

I. Structure

1. **Oversight Committee.** The members of the Oversight Committee shall include, in addition to members of the boards, the chairs of the NYISO Management Committee and the Chair of the NEPOOL Participants Committee..
2. **ISO Staff/ Market Participant Working Groups (6)**
 - a. Each to be co-chaired by ISO Staff and MP Committee Chairs
 - b. Working Group meetings to be open
 - c. Professional facilitator to be used
 - d. Working Groups
 - i. Market Design and System Implementation
 - ii. Market Monitoring and Mitigation
 - iii. Economic and Reliability Evaluation
 - iv. Governance (Board and Stakeholders)
 - v. Transmission Planning and Tariffs
 - vi. Operations and Facilities
 - e. ISO Staff work on administrative and organizational functions to continue:
 - i. Organization Integration Plan
 - ii. Finance
 - iii. Legal and Communications
 - iv. HR, Benefits and Labor Relations
3. **Plenary Meetings.** Periodically, but at least once each 6 weeks, there would be an open plenary meeting of all participants with the Development Committee/Oversight Committee, to allow access of all participants to ISO decision-makers.

II. Process

A. Ultimate Responsibility

1. While the process as recommended is collaborative in nature with full consensus desired, the ultimate determination of substantive content of an RTO plan would reside with the ISOs. Should issues be unresolved, market participants reserve full rights under the FPA to file as appropriate. (No waiver of internal governance rights and agreement is intended.)

B. Straw Proposals

1. Initial straw proposals will be developed by the ISOs, posted on a website, and presented to the appropriate Working Group for consideration. Key issues will be identified; key concepts outlined in general to promote consensus; and suggested direction and options be offered. ISO Staffs, working collaboratively, will consider the feedback and proposals of the Working Groups in further development of the RTO plan.

C. Presentation and Approval of Proposals

1. Straw proposals will be presented to Working Group meetings, to be scheduled twice per month.
2. Whenever it is appropriate for an aspect of the proposal to be presented to the ISO boards, the proposals should be presented to the NYISO Management Committee and the NEPOOL Participants Committee. Each such committee will consider the proposal presented and report to RTO Oversight Committee the majority and minority positions on the proposal and/or issues raised thereunder. The ISOs would not be required to follow the recommendation(s) reported by the committees. To the extent that recommendations of the committees are not followed, the ISOs would provide a written explanation for not doing so.
3. The views of State regulators will be separately solicited.

D. Notice

1. Five business days advance notice shall be provided for committee meetings.

E. Budget

1. To the extent that contractors or consultants are required to be hired, expenditures shall be shared equally by each control area, and be

subject to approval in accordance with the respective control area governance procedures.