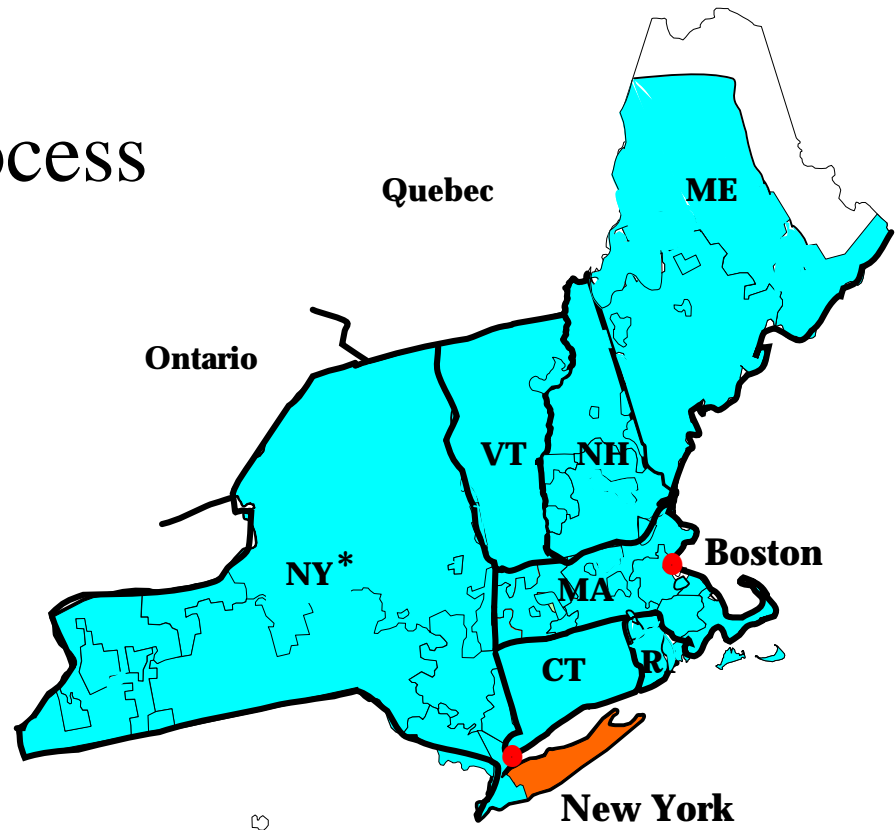


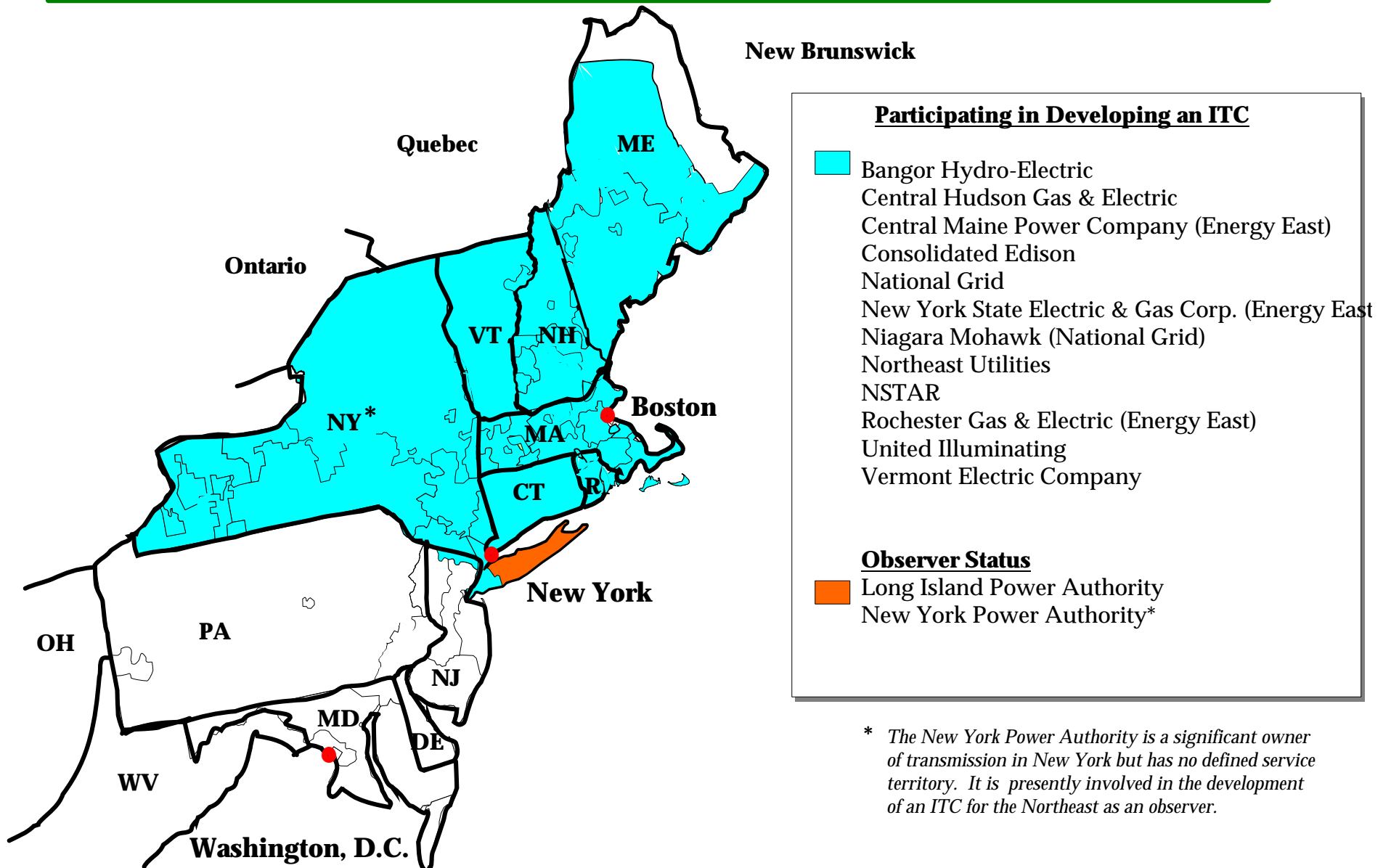
North East Independent Transmission Company

NE ITC Stakeholder process suggestions

February 19, 2002

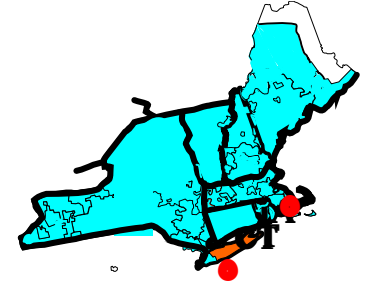


Geographic coverage of transmission owners participating in developing an ITC for the North East



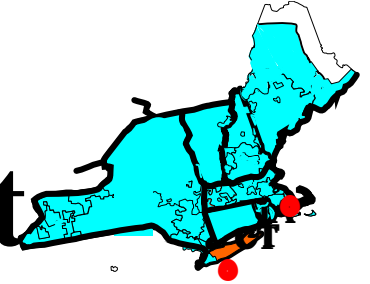
* The New York Power Authority is a significant owner of transmission in New York but has no defined service territory. It is presently involved in the development of an ITC for the Northeast as an observer.

North East Transmission Owners activities since November 2001



- Since November, the Northeast Transmission owners have been developing a design for a Binary RTO.
- The Binary RTO would have some of the features accepted by the FERC in New England Binary RTO filing.
- We would like to explain our concepts and vision for the RTO in the following slides.

NE ITC Mission Statement



Mission Statement for a Northeast Independent Transmission Company:

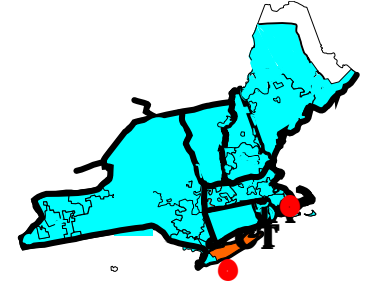
To serve transmission customers and provide sustainable shareholder value by efficiently managing the electric transmission system of the northeastern United States to:

- facilitate a seamless and efficient electricity marketplace;**
- promote the lowest possible average delivered price of**

elect

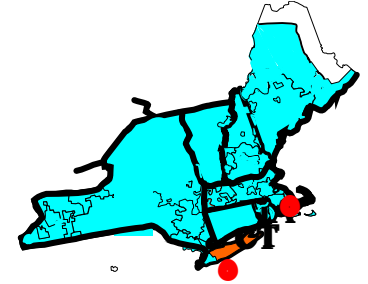
- ricity; and**
- maintain superior long term system reliability.**

Our Intentions?



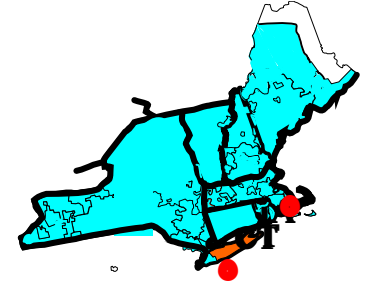
- We plan to promote our Binary RTO concept in the NY-NE Stakeholder process to achieve buy-in from the other stakeholders.
- We hope for a joint petition in June supported by NYISO, ISO-NE, and New York and New England Transmission Owners.

Transmission Owners Position on the proposed June 2002 filing



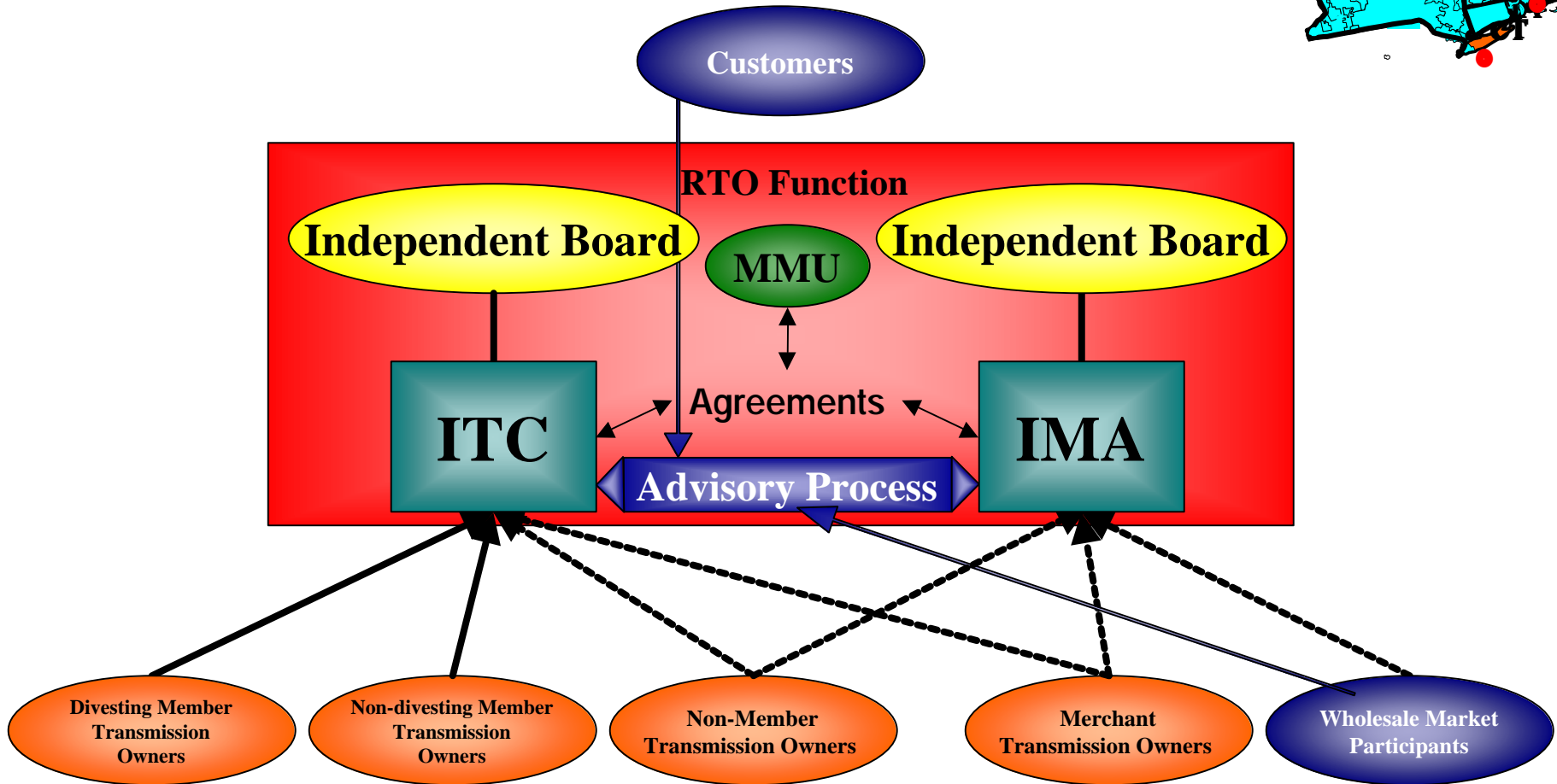
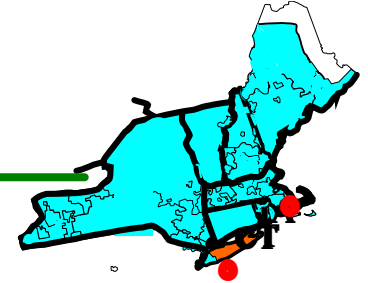
- Order 2000 requires that both TOs and ISOs to file plans for RTOs.
- TOs must be participants in any comprehensive RTO filing.
- TOs propose that the Northeast RTO Market Designs:
 - ◆ accommodate a Binary structure that includes an ITC, and
 - ◆ addresses the major issue of prospective transmission investment

Why an ITC?



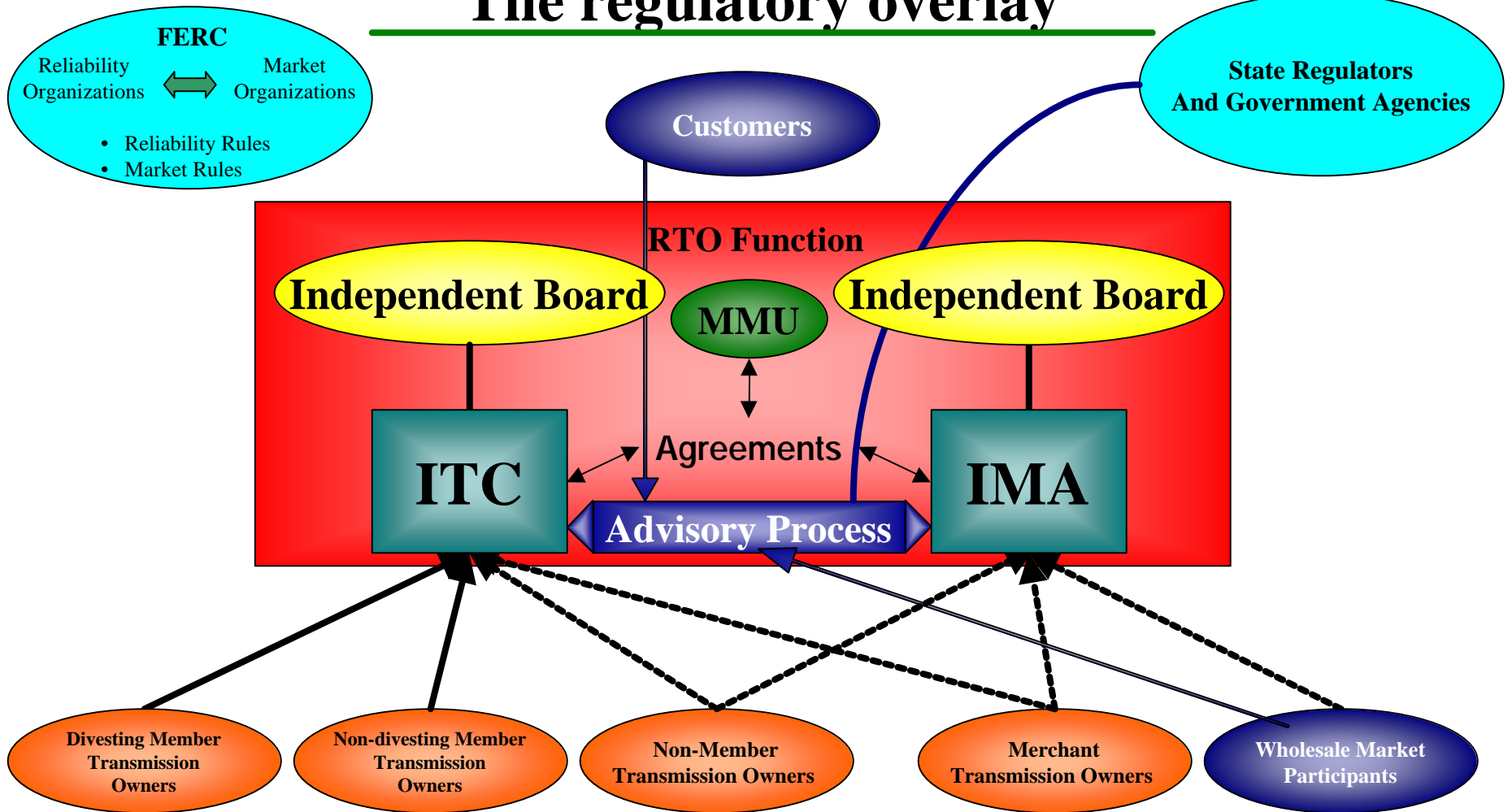
- The ITC can deliver value that can not be realized under current structures and arrangements
 - ✓ It offers more benefits than alternative structures
 - ✓ Scope to raise capital and finance projects
 - ✓ Scope to deliver value

Northeast RTO Vision a Binary RTO



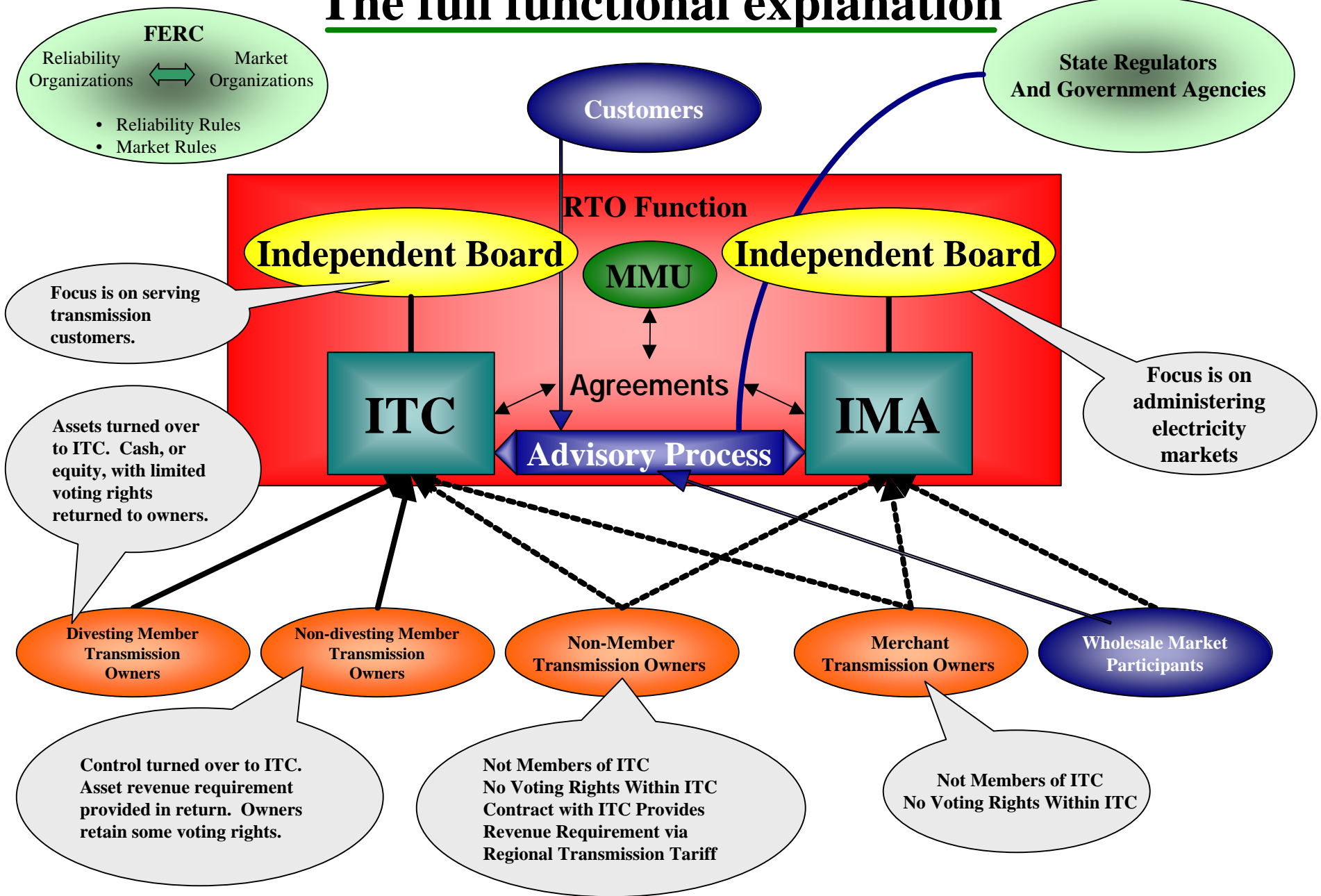
Northeast RTO Vision

The regulatory overlay

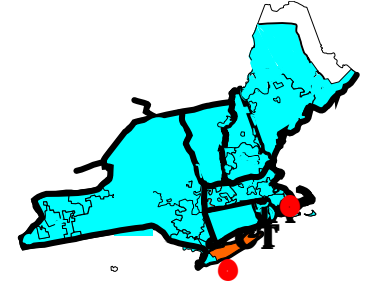


Northeast RTO Vision

The full functional explanation

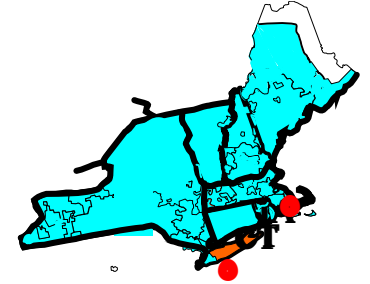


ITC Governance



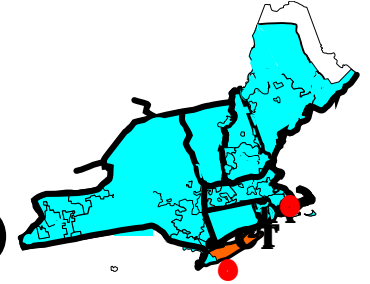
- Independence / FERC approved
 - Board composed of non-market participants and independent of market participants
 - TOs with limited rights, within FERC independence requirements
 - TOs relinquish to ITC control of transmission access and interconnection
- A single organization with decision-making authority over transmission with economic incentive to be customer-responsive.

ITC Functions



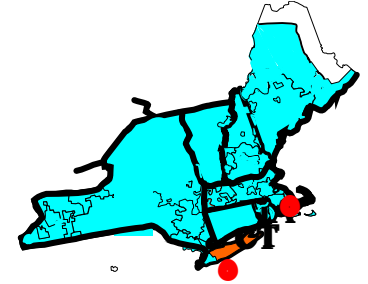
- Tariff design, including incentives, to support single market, afford non-discriminatory access to all customers, and focus on delivering value to customers
- Implement and administer Transmission Tariff
- Interconnection (including contracting)
- Planning and expansion (participate with ISO/IMO)
- Information flow

ITC Transmission Tariff for the RTO



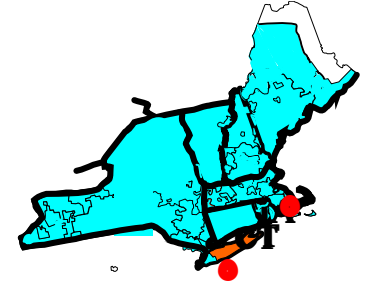
- Covers whole RTO region, at non-pancaked rates
 - Includes access to facilities of non-participating TOs.
- One-stop shopping for transmission access and generation interconnection
 - Stream-lined interconnection process with incentives and penalties to speed interconnection.
 - Accelerated ADR, where necessary
- Scheduling requirements will support unified energy market
- Rates will maintain revenue neutrality
 - Transition to be negotiated

Aligning ITC and Customer Interests



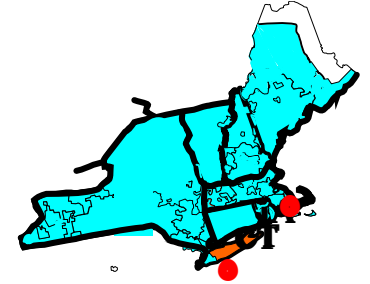
ITC Incentives	Customer Benefits
Incentive for new transmission investment	Greater access to markets and supplies
Cost reduction incentive	Reduced costs and assurance that new investments are made only when justified
Congestion Reduction Incentive	Reduced costs and greater access
Interconnection Incentive	Greater access and reduced barriers for new supply; improved reliability

FERC's July 12 New England RTO Order



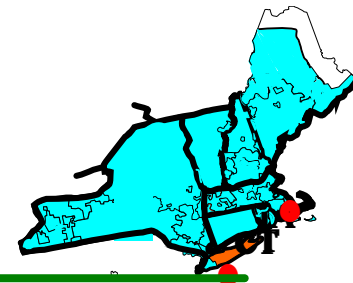
- FERC accepted many aspects of the binary RTO filing by the ISO-NE and the NE TOs
- “NE ITC would operate independently from market participants.”
- “NE ITC's Managers, the entities that would operate the ITC, would perform their duties in a manner that would satisfy the independence characteristic.”

FERC's July 12 New England RTO Order



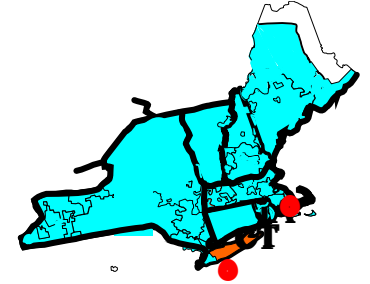
- “Intervenors have not supported their contention that [the] proposed division [of responsibilities] would lead to the unreliable or discriminatory operation of the...market.”
- “Intervenors' concerns regarding NE ITC's lack of independence in connection with the transmission and interconnection request process [is] unfounded.”

FERC's July 12 New England RTO Order



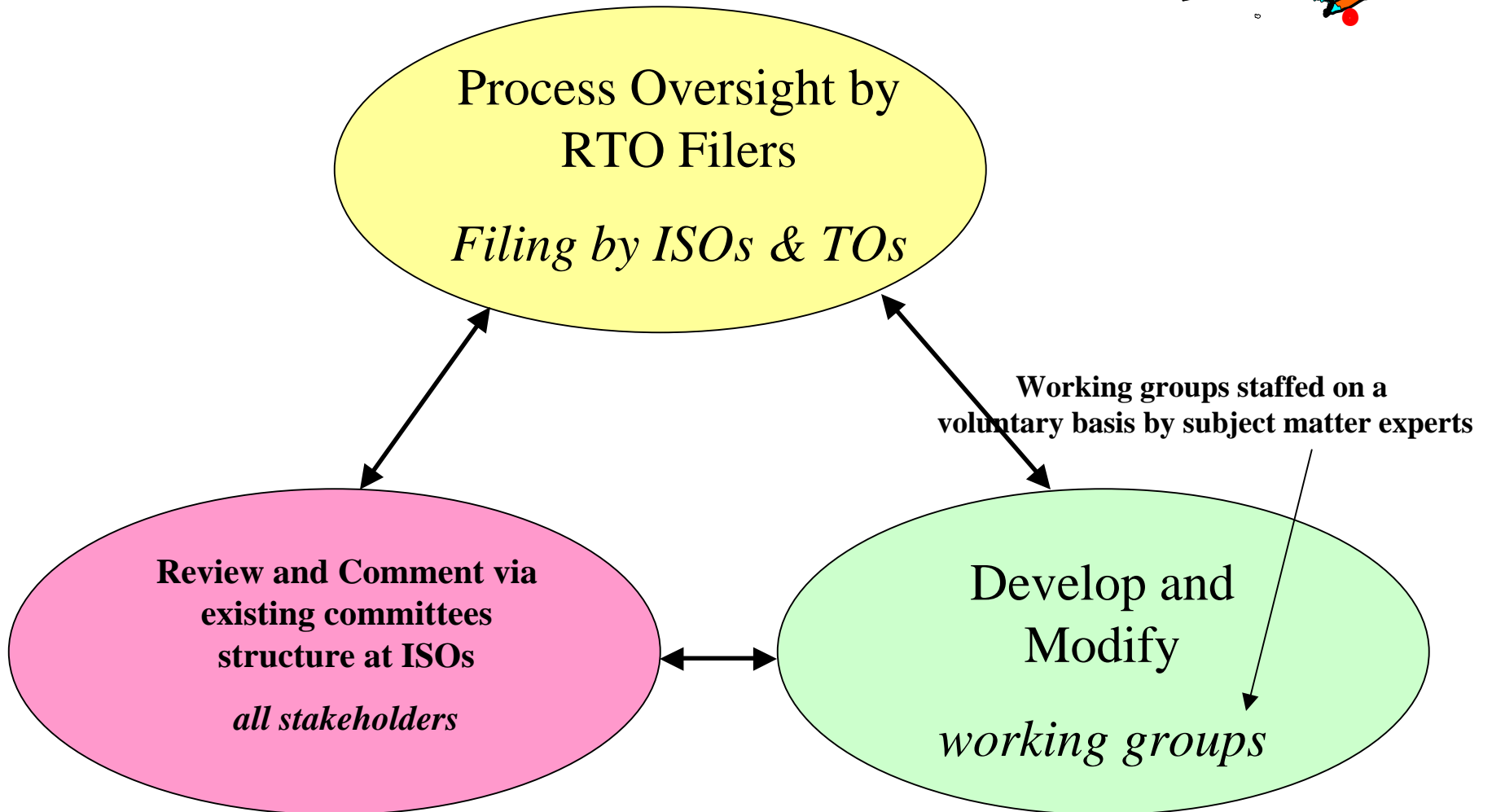
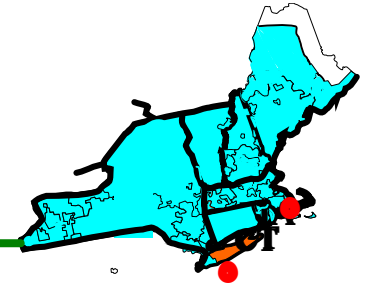
- “The division of responsibilities for calculating TTC and ATC between ISO-NE and NE ITC would be acceptable under Order No. 2000.”
- “A properly structured incentive rate proposal can provide the proper incentives to promote the competitive markets and address the Intervenors [planning] concerns.”

Proposed Stakeholder Process Design Attributes



- The process should be simple
- Provide input from all parties
- Lead to definitive elements of a June filing
- It can be envisioned as follows:

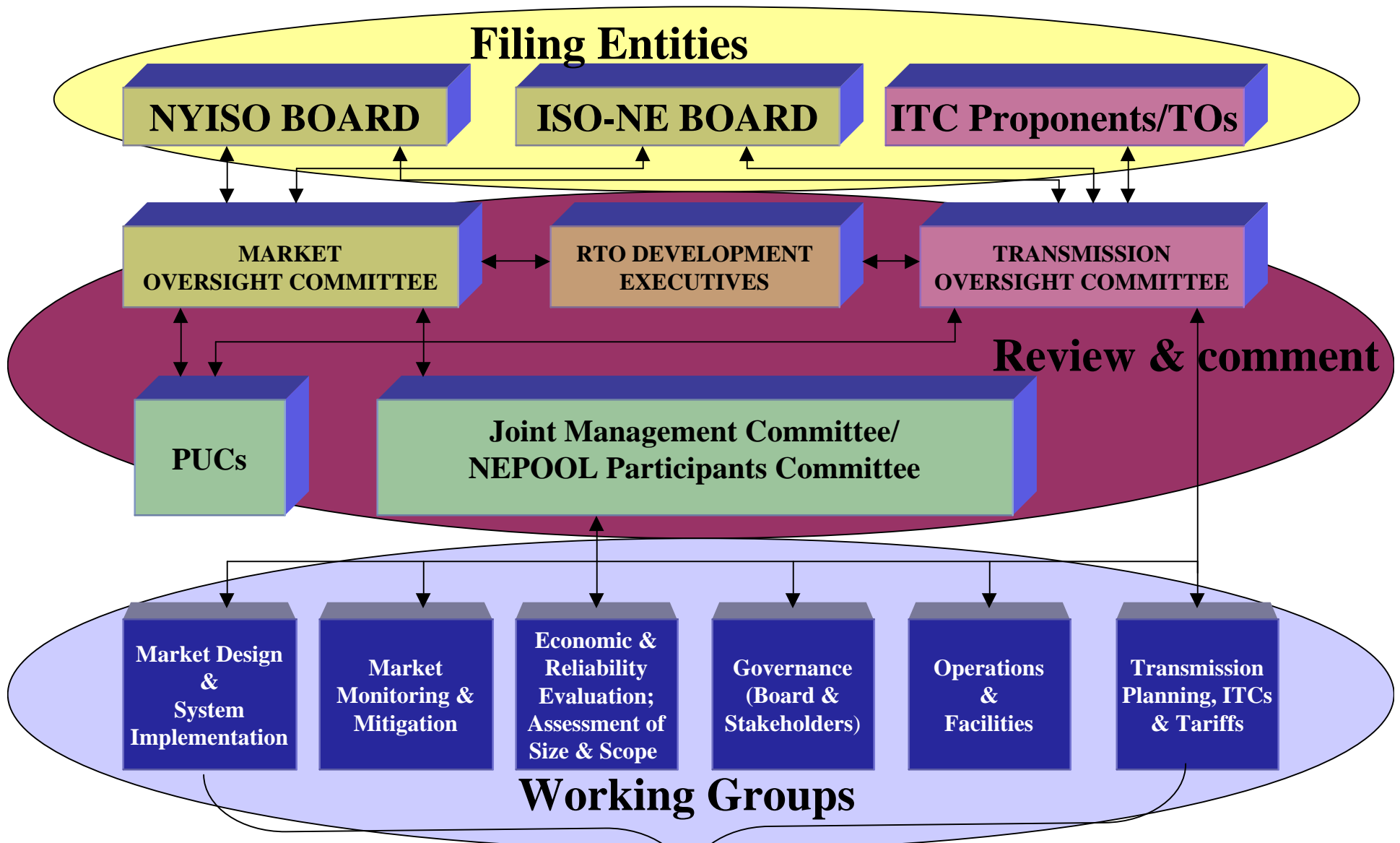
RTO Markets Development Process, Approval and Participation Concepts



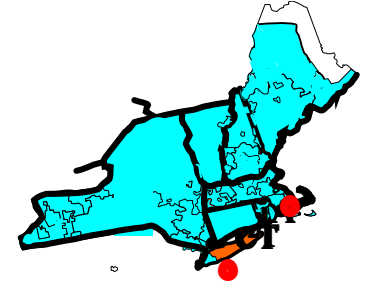
See next slide for details on this structure

Proposed RTO Markets Development Process

Joint Committee Process

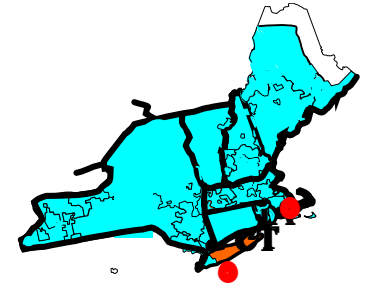


All meetings open to all market participants



Recap of Transmission Owners Views regarding the June 2002 filing

- Advocating Transmission Owners believe they must be filing participants in any filing(s) for common market designs.
- Advocating Transmission Owners propose that the proposal for the common market design should accommodate a Binary ITC/ISO structure
- That the RTO and Markets design process address the major issue of promoting prospective transmission investment.



Questions?