
FEDERAL ENERGY REGULATORY COMMISSION



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NEWS RELEASE

NEWS MEDIA CONTACT:

Barbara A. Connors
(202) 502-8680

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Docket Nos. RT04-2-000,
ER04-157-000, -001 and
EL01-39-000

COMMISSION APPROVES NEW ENGLAND RTO, WITH CERTAIN PROVISOS, ORDERS HEARING ON RATE OF RETURN ISSUES

The Federal Energy Regulatory Commission today granted regional transmission organization (RTO) status to ISO New England (ISO-NE) and the New England transmission owners (the filing parties) pending the acceptance of certain conditions.

“This RTO filing reflects extensive and difficult discussions,” said FERC Chairman Pat Wood, III. “The New England region shares a long history of voluntary commitment to regional power markets. Although agreement could not be reached on every issue, the parties achieved fundamental consensus on a commitment to form a single RTO that builds on the platform set in place by the New England Power Pool and ISO-NE. The evolution from a power pool to an ISO and now an RTO is a positive step and will help strengthen the markets and improve reliability in this, as well as in its neighboring regions.”

Since 1971, the New England Power Pool (NEPOOL) has served as a voluntary organization of transmission and generation owners, suppliers, publicly-owned entities and end-users in Connecticut, Massachusetts, New Hampshire, Rhode Island, Vermont and portions of Maine. ISO-NE, an independent entity that contracts with NEPOOL to perform the functions of open access as an Independent System Operator (ISO), has operated since 1997.

RTO-NE, which would become the successor to ISO-NE, complies with the minimum characteristics and functions of an RTO, subject to conditions, the Commission said. The New England RTO will build on the successful features contained in ISO-NE, as a not-for-profit entity governed by an independent, non-stakeholder board.

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In Order No. 2000, the December 1999 rule that encouraged regional grid coordination and planning, the Commission outlined the specific characteristics and functions required for RTOs.

To better conform to the provisions of Order No. 2000, the Commission directed the filing parties to resolve seams issues with its neighboring New York Independent System Operator (ISO). The applicants must file an agreement regarding elimination of separate rate charges between the New York ISO and New England with the Commission within one year of the date of their compliance filing. In addition, since the New York ISO has significant trade with the Mid-Atlantic region's PJM RTO, the report should also explain the role of PJM in the resolution of seams issues, the Commission said.

Today's order also addresses a related filing on return on equity (ROE) issues applicable to transmission rates charged by the New England RTO (Docket No. ER04-157-000). The Commission set for hearing a proposed 12.8 percent ROE applicable in regional and local transmission rates. Consistent with decisions in prior RTOs, the Commission allowed a 50 basis point adder for transmission used for regional service. The Commission set for hearing a proposed 100 basis point adder applicable to all future transmission expansion.

The Commission said that the New England transmission owners are permitted to withdraw from their existing agreements governing the operation of NEPOOL in order to file the necessary replacement agreements to establish the RTO. The Commission found that the applicants are permitted to make the RTO filing, looking at both their contractual rights under their existing NEPOOL agreements and as public utilities under the Federal Power Act. The Commission ordered that the filing parties identify, in a subsequent filing, relevant assets that NEPOOL will continue to own after the functions and duties of ISO-NE are terminated and indicate how the facilities will be acquired from NEPOOL.

The New England transmission owners are: Bangor Hydro Electric Company; Central Maine Power Company; NSTAR Electric & Gas Corporation; New England Power Company; Northeast Utilities Service Company; The United Illuminating Company; and Vermont Electric Power Company.