
FEDERAL ENERGY REGULATORY COMMISSION



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NEWS RELEASE

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ER04-157-002, et al., EL01-39-
001, et al., ER04-943-000 and
ER05-3-000

CHAIRMAN WOOD LAUDS RTO DEVELOPMENTS NATIONALLY, SAYS NEW ENGLAND RTO 'READY TO SERVE REGIONAL MARKETS'

Federal Energy Regulatory Commission Chairman Pat Wood, III today pointed to four orders involving the New England regional transmission organization (RTO) as the latest in a steady progression of positive RTO developments in the public interest nationally.

Chairman Wood cited the package of New England orders as the most significant RTO developments since October 1, 2004, when PJM Interconnection integrated American Electric Power Co. and Dayton Power & Light into its RTO, the Midwest Independent Transmission System Operator integrated Illinois Power into its RTO, and the California Independent System Operator implemented a new market design.

"The New England RTO is now well positioned to serve the needs and interests of all market participants, not just in New England but across the Northeast. Breaking down artificial barriers to the free-flowing trade of power at wholesale will benefit customers throughout the Northeast by helping to keep power costs down and will contribute to more reliable grid operations," said Chairman Wood.

On Wednesday, the commission issued an order accepting a settlement and compliance filing resolving a number of key issues stemming from a March 2004 order, which granted conditional approval to the ISO-NE RTO. In that order, the Commission directed the parties to develop a more comprehensive seams agreement with its neighboring New York Independent System Operator (NYISO).

The Commission also accepted a 50 basis point (0.5%) rate of return on equity (ROE) adder, applicable to Regional Network Service under the ISO-NE's open access transmission tariff. The Commission rejected the same adder as it would apply to the transmission owners' local service schedules.

One of the central issues resolved in the approved settlement is elimination of the "through-and-out charges" between the New England RTO and the New York Independent System Operator.

This will help facilitate competitive wholesale power markets in a broader regional market. The Commission directed the parties to file a proposed Phase I Pilot Program for Virtual Regional Dispatch by December 1, 2004. Virtual Regional Dispatch represents a new service offered by ISO-NE RTO and the New York ISO to facilitate the physical dispatch of power loads between the two grid operators which would create efficiencies through dispatch of the lowest-cost generating units in the two markets.

In a pair of orders issued today, the Commission clarified a June 2, 2004 order in which the Commission acted on a plan to establish a locational installed capacity (LICAP) pricing mechanism in New England's market (ER03-563-038, EL04-102-001), and approved the establishment of a separate installed capacity region and corresponding energy zone for Southwest Connecticut, a region the Commission has highlighted as in urgent need of energy infrastructure improvements (ER03-563-039, EL04-102-002).

The Commission said customers will benefit from a separate installed capacity region and corresponding energy zone for Southwest Connecticut because it will help "to ensure that generating capacity is appropriately valued based on its location, allowing existing generators to recover their costs while also providing an incentive to invest in new transmission infrastructure and capacity resources." In its June 2 order, the Commission delayed implementation of the LICAP mechanism until 2006 in order to allow time for needed transmission infrastructure development in Connecticut.

In another order issued today, the Commission conditionally accepted a filing addressing large generator interconnection procedures in New England (ER04-433, ER04-432). The Commission acted on the New England Power Pool's filing to comply with Order No. 2003, which standardized interconnection requirements in order to speed market entry for new generation infrastructure.

Since 1971, the New England Power Pool 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 functions as an Independent System Operator (ISO), has operated since 1997. RTO-NE would become the successor to ISO-NE, building on the ISO's successful features as a not-for-profit entity governed by an independent, non-stakeholder board.

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.