

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

December 22, 2005

In Reply Refer To:
ISO New England, Inc.
Docket No. ER06-252-000

Kathleen A. Carrigan
ISO New England, Inc.
One Sullivan Road
Holyoke, MA 01040

Howard H. Shafferman
Ballard Spahr Andrews & Ingersoll, LLP
601 13th Street, N.W., Suite 1000 South
Washington, D.C. 20005

Ladies and Gentlemen:

1. On November 29, 2005, ISO New England Inc. (ISO-NE) filed, pursuant to section 205 of the Federal Power Act,¹ interim revisions to Market Rule 1² (referred to as the Supplemental Winter Package) to aid ISO-NE in implementing its Winter 2005/2006 Action Plan. The Supplemental Winter Package complements the Market Rule 1 changes filed by ISO-NE and the New England Power Pool (“NEPOOL”) on October 28, 2005 in Docket No. ER06-89 (the “Winter Package Filing”)³.

2. To address the possibility that severe cold weather conditions this winter may exacerbate fuel supply and pricing issues for New England generating resources, ISO-NE developed a contingency plan (the Winter 2005/2006 Action Plan). The Winter

¹ 16 U.S.C. § 824d (2000).

² Section III of the ISO-NE Tariff.

³ On November 30, 2005, the Commission conditionally accepted the Winter Package Filing, effective December 1, 2005, subject to ISO-NE filing the Supplemental Winter Package and further Commission action, 113 FERC ¶ 61,220 (2005).

2005/2006 Action Plan includes objectives such as communicating the need to reduce consumption in all hours to conserve fuel, encouraging the utilization of dual-fuel generating capability, expanding demand-side management programs in New England to help maintain needed operating reserves, and developing emergency energy procedures and market rules to complement the cold weather procedures in Appendix H to Market Rule 1 to maintain reliability during cold weather conditions.

3. ISO-NE states that like the Winter Package, the Supplemental Winter Package will expire on March 31, 2006, and is designed to enhance the reliability of New England's bulk power system operations during the coming winter, in which natural gas and other generating fuels may be in short supply due to hurricane damage in the Gulf of Mexico region. ISO-NE states that it is prudent to take the steps reflected in the Supplemental Winter Package to prepare for contingencies, in the event they materialize.

4. The Supplemental Winter Package contains two main tariff revisions. In response to concerns about the sufficiency of the compensation for direct costs incurred by a generating Resource when postured,⁴ ISO-NE states that proposed section III.F.2.6.6 to Market Rule 1 provides a mechanism for obtaining recovery of such costs. Section III.F.2.6.6 provides for interim payment of direct costs (excluding incremental financial assurance costs, if any) associated with fuel procured but not delivered as scheduled (*e.g.*, liquidated damages, imbalance charges) imposed by a third party under a fuel contract or a FERC-approved tariff, which would not have been incurred but for the posturing of that Resource by ISO-NE and can be verified by ISO-NE ("Direct Posturing Costs"). ISO-NE states that it will include such verified Direct Posturing Costs, if any, in the Market Participant's next applicable Monthly Statement for Non-Hourly Charges issued no earlier than ten business days after the submitted costs are verified and the Market Participant is notified.

5. ISO-NE adds that two changes have been made to this provision from the version that was approved by the Markets Committee. The changes to the proposed language are intended to: (1) clarify the process by which the dollar amount of a supplemental posturing payment is determined, and (2) require that Generating Resources submit additional information that will simplify administration of the new provisions.

⁴ Posturing is defined in section III.F.2.6 of the ISO-NE's Electric Tariff No. 3, Appendix F. That section provides that generating resources shall be considered postured whenever ISO-NE deviates from the normal security constrained economic energy dispatch solution for a generating resource produced by the technical software for the purpose of maintaining sufficient operating reserve (both on-line and off-line) levels or for the provision of voltage or VAR support.

6. Further, to add clarity to Market Rule 1 with respect to any posturing that ISO-NE engages in to maintain reliability this winter, ISO-NE, in consultation with Market Participants and NEPOOL counsel, revised section III.1.7.6 of Market Rule 1. The revision to section III.1.7.6 is designed to provide clarity regarding ISO-NE's existing posturing authority. The added language paraphrases the paragraph of Operating Procedure 21 that refers to posturing and conforms to the existing language in Market Rule 1 on posturing authority. ISO-NE states that the language has been modified to make this provision consistent with the definition of posturing in section III.F.2.6 and will help Market Participants better understand measures undertaken by ISO-NE to protect and enhance energy availability.

7. Notice of the filing was published in the *Federal Register*, 70 Fed. Reg. 68,423 (2005) with comments, protests, or interventions due on or before December 13, 2005. The Northeast Utilities Companies, by their agent Northeast Utilities Service Company, and Select Energy, Inc. filed a motion to intervene. The NEPOOL Participants Committee and Mystic Development, LLC (Mystic), filed motions to intervene and comments in support. No adverse comments were filed. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2005), the timely, unopposed motions to intervene serve to make the entities that filed them parties to the proceeding.

8. The Commission finds that the revisions in the Supplemental Winter Package add clarity to ISO-NE's posturing authority. The Commission also finds that the proposed methodology for protecting postured units from economic harm, as agreed upon by ISO-NE and the Participants Committee, is just and reasonable. The Commission believes that the Supplemental Winter Package, in conjunction with the Winter Package, will enhance the reliability of New England's bulk power system operations this winter as intended. Thus, the Commission accepts the tariff revisions as filed, to be effective December 1, 2005, coincident with the effectiveness of the Winter Package.

By direction of the Commission.

Magalie R. Salas,
Secretary.