

110 FERC ¶61,180  
FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426

February 22, 2005

In Reply Refer To:  
New England Power Pool, Inc.  
Docket No. ER05-403-000

Day, Berry & Howard LLP  
Attn: Patrick M. Gerity  
Attorney for New England Power Pool Committee  
City Place I  
Hartford, CT 06103-3499

Dear Mr. Gerity:

1. On December 30, 2004, you filed on behalf of New England Power Pool (NEPOOL), the 110<sup>th</sup> Agreement modifying the Financial Assurance Policy for NEPOOL Members (Member Financial Assurance Policy), which is Attachment L to the NEPOOL Tariff, and the Financial Assurance Policy for Non-Participant Financial Transmission Right (FTR) Customers and Non-Participant Demand Response Providers (DRP) (FTR/DRP Financial Assurance Policy), which is Attachment O to the NEPOOL Tariff. The proposed revisions<sup>1</sup> are accepted for filing, to become effective March 1, 2005, as requested.
2. NEPOOL states that the proposed revisions are intended to provide NEPOOL, its Participants and ISO-New England, Inc. (ISO-NE) with greater assurance that payments owed under the NEPOOL arrangements will be received as and when due. More specifically, NEPOOL expects the proposed modifications to: (1) reduce the possibility that ISO-NE will be required to reject Increment Offers and Decrement Bids because of a failure to comply with NEPOOL's financial assurance requirements; (2) mitigate the

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<sup>1</sup>NEPOOL proposes to revise the following sheets of its FERC Electric tariff, Fourth Revised Volume No. 1: Original Sheet Nos. 351(A-F), 8<sup>th</sup> Revised Sheet No. 352, 5<sup>th</sup> Revised Sheet No. 356, and 4<sup>th</sup> Revised Sheet No. 462.

payment default risk posed by Unqualified New<sup>2</sup> and Returning<sup>3</sup> Non-Municipal Participants; and (3) reduce the financial assurance requirements for long-term FTRs.

3. The first revision in the 110<sup>th</sup> Agreement would permit ISO-NE to reject on a “last in, first out” basis individual or batches of Increment Offers and Decrement Bids of Participants that are not in compliance with ISO-NE’s financial assurance requirements. It would amend the current policy that requires if one or more Increment Offers or Decrement Bids submitted by a Non-Municipal Participant causes that Participant to be suspended for failure to comply with the financial assurance requirements, all pending uncleared Increment Offers and Decrement Bids submitted by that Participant will be rejected. Thus, the 110<sup>th</sup> Agreement allows ISO-NE to reject individual Increment Offers and Decrement Bids only as needed to bring the Non-Municipal Participant into compliance with its financial assurance requirements.

4. The second revision in the 110<sup>th</sup> Agreement requires a minimum amount of financial assurance for certain Unqualified New or Returning Non-Municipal Participants based on projections of NEPOOL activity and expenses. Specifically, each Unqualified New or Returning Non-Municipal Participant will be required to provide a minimum amount of financial assurance equal to no less than the sum of the financial assurance calculated to cover its expected: (1) generation activity; (2) trading activity; (3) load serving activity; and (4) share of NEPOOL Expenses (Initial Non-Municipal Participant Financial Assurance). The calculation of Initial Non-Municipal Participant Financial Assurance uses a number of constants to be determined by ISO-NE using historical averages and data available to it, in concert with the new Participant’s expected initial NEPOOL activity and expenses. The constants will be determined annually and posted on ISO-NE’s website. The amount of Initial Non-Municipal Participant Financial Assurance to be provided by each Unqualified New or Returning Non-Municipal Participant will be calculable by those Participants using information posted on the website.

5. The 110<sup>th</sup> Agreement also amends both section IV.B of the Member Financial Assurance Policy and section I.C of the FTR/DRP Financial Assurance Policy to reduce the collateral requirements needed for long-term FTRs. Currently, a Participant or

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<sup>2</sup>New Non-Municipal Participants are participants other than Governance Only Members who have been NEPOOL members for less than three months and do not have an investment grade credit rating.

<sup>3</sup>Returning Non-Municipal Participants are participants other than Governance Only Members whose previous NEPOOL membership was involuntarily terminated due to a Financial Assurance Default or a Payment Default and have been NEPOOL members for less than six months.

Non-Participant FTR customer is required to retain 100 percent of its collateral requirements for the entire duration of the FTR, even as the amount due with respect to the FTR is reduced with each monthly billing. The revisions amend the Financial Assurance Policy to reduce the financial assurance requirements proportionately as the amount due on the FTR decreases.

6. Notice of the filing was published in the *Federal Register*,<sup>4</sup> with protests or interventions due on or before January 21, 2005. Northeast Utilities Service Company, on behalf of the Northeast Utilities Operating Companies (collectively, NUSCO), and Select Energy, Inc. (Select Energy) jointly filed a timely motion to intervene. No adverse comments or protests were filed.

7. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2004), NUSCO's and Select Energy's timely, unopposed motion to intervene serves to make those entities parties to this proceeding.

8. The Commission finds that the proposed revisions to NEPOOL's Financial Assurance Policy will increase transparency, reduce collateral requirements, and reduce default risk for ISO-NE participants consistent with the Commission's goals outlined in the *Policy Statement on Credit-Related Issues for Electric OATT Transmission Providers, Independent System Operators and Regional Transmission Operators*, 109 FERC ¶ 61,186 (2004). Therefore, we find the proposed revisions to be just and reasonable, and we will accept them for filing effective March 1, 2005, as requested.

By direction of the Commission.

Linda Mitry,  
Deputy Secretary.

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<sup>4</sup> 70 Fed. Reg. 3,014 (2004).