

FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426

January 28, 2004

In Reply Refer To: ISO New England, Inc.  
Docket No. ER02-2330-018

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ISO New England Inc.  
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Dear Sirs:

1. On September 22, 2003, in compliance with the Commission's Orders of September 20, 2002 and December 20, 2002 approving the Standard Market Design (NE-SMD) for ISO New England, Inc. (ISO-NE),<sup>1</sup> you submitted the fourth report informing the Commission of the status of the implementation of NE-SMD and the status of certain market enhancements; NE-SMD was implemented on March 1, 2003. The reports are accepted for informational purposes.
2. In its status report ISO-NE states that the system continues to operate in a reliable manner in accordance with all Northeast Power Coordinating Council Criteria. ISO-NE reports that the August 14, 2003 system disturbance resulted in approximately 2500 MW of system load being lost. Although some market information was lost and as a result, Real-Time LMPs could not accurately be computed and manual intervention was required, ISO-NE reports that the problem was remedied within the first hour.

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<sup>1</sup>See New England Power Pool and ISO New England, Inc., 100 FERC ¶ 61,287 (2002) and New England Power Pool and ISO New England, Inc., 101 FERC ¶ 61,344 (2002).

3. ISO-NE states that work continues on various enhancements to the market design such as the development of forward reserves auctions, fully integrated and co-optimized reserves markets, regulation mileage payments, improved integration of external and other resources in the Real Time markets, and regional and locational resource adequacy. The ISO further states that it is looking into the manual dispatch of generation under SMD to determine whether any market rule or operational enhancement is needed.
4. ISO-NE presents its development of a two-year Wholesale Markets Plan which is intended to set forth a schedule for implementation of market enhancements. The Markets Plan provides commercial certainty for participants, improved planning coordination by ISO-NE, and transparency for federal and state regulatory input.
5. ISO-NE presents discussion of the Nodal Pricing for Load initiative, a replacement for the Qualified Upgrade Awards calculation, current status of the data on resources ineligible to set the clearing price, implementation of Scarcity Pricing Rules, partial de-listing of capacity resources, spinning reserves markets, transmission upgrade cost allocation, and partially self-scheduled resources.
6. Notice of the filing was published in the Federal Register on October 6, 2003, with comments, protests, and interventions due on or before October 14, 2003.<sup>2</sup> NRG Companies (NRG) filed a timely protest. PPL Wallingford Energy, LLC (PPL), and PSEG Energy Resources and Trade LLC (PSEG) filed timely comments. Northeast Utilities Service Company and Select Energy, Inc. (NU) and Massachusetts Municipal Wholesale Electric Company and Connecticut Municipal Electric Energy Cooperative (MMWEC) filed comments, and motions to file comments out of time.
7. All of the parties filing protests or comments raised issues concerning ISO-NE's representation that it may have difficulty achieving consensus regarding the resource adequacy proposal ISO-NE will submit on March 31, 2004, to be implemented by June 1, 2004, in compliance with an earlier Commission order. NRG, PSEG and PPL state that ISO-NE may be deterred from pursuing resource adequacy by the difficulty at arriving at consensus, and NRG in its protest asks the Commission to reaffirm that ISO-NE must file a resource adequacy proposal to be in place by June 1, 2004. NU and MMWEC, on the other hand, assert that all parties' concerns should be addressed before a resource adequacy rule is put into place.
8. ISO-NE has expressed its commitment to timely file a resource adequacy proposal. The Commission will defer any discussion of this resource adequacy proposal until such time as it is put before the Commission.

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<sup>2</sup> 68 Fed. Reg. 57687 (2003).

9. The Commission accepts ISO-NE's reports for informational purposes. Additionally, the Commission instructs ISO-NE to consider the comments of the intervenors and address these concerns when filing tariff revisions to implement the various enhancements.

By direction of the Commission. Commissioner Kelly not participating.

Magalie R. Salas,  
Secretary.