

To: Market Participants and Other User Entities

From: Gordon van Welie, President and Chief Executive Officer

Date: January 9, 2012

Subject: ISO New England Comments on 2011 Months Subsequent to the 2011 SSAE 16 Type 2 Engagement Period

The recently completed SSAE 16 Type 2 examination for ISO New England Inc. (ISO-NE) covered the controls related to Market Operations and Settlements systems for bidding, accounting, billing and settlement of energy, regulation, capacity, transmission, reserves, and related market transactions for the period of October 1, 2010 to September 30, 2011. The independent auditors of the SOC 1 Type 2 Report issued an unqualified opinion that states based on the criteria described in ISO-NE's assertion:

- ISO-NE's description fairly presents the Market Operations and Settlements system for bidding, accounting, billing and settlement of energy, regulation, capacity, transmission, reserves, and related market transactions that was designed and implemented throughout the period.
- The controls stated in the description were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout the period, and market participants and other user entities applied the complementary user entity controls contemplated in the design of ISO-NE's controls throughout the period.
- The controls tested, which together with the complementary user entity controls, if operating effectively, were those necessary to provide reasonable assurance that the control objectives were achieved, if operated effectively throughout the period.

ISO-NE selected this examination period so the independent auditors of market participants and other user entities receive the SOC 1 Type 2 Report in time for the 2011 calendar year-end financial statements audit planning phase. Since the service auditor opinion does not extend beyond the examination period or include the period of October 1, 2011 to December 31, 2011, this letter assists the independent auditors of market participants and other user entities in understanding any changes to the ISO-NE control environment during this three-month period.

During this three-month period, the essential elements of the control environment such as governance, monitoring, oversight responsibility and organizational structure remained relatively unchanged from those in place during the examination period. There were no significant Market Operations and Settlements system changes for bidding, accounting, billing and settlement of energy, regulation, capacity, transmission, reserves, and related market transactions. Also, ISO-NE has committed to a practice of engaging an independent third-party to review and certify that the market system software complies with governing agreements for significant market enhancements or a new market feature. The Internal Audit Department continues to actively review ISO New England's processes and systems. This three-month period will be included in the next external auditor engagement "Reporting on Controls at a Service Organization" (SSAE 16), which will cover the period October 1, 2011 to September 30, 2012.

If you have any questions regarding the SSAE 16 engagement, please contact the ISO Market Services Department at (413) 540-4220.