



March 11, 2010

VIA HAND DELIVERY

The Honorable Kimberly D. Bose, Secretary
The Honorable Nathaniel J. Davis, Sr., Deputy Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, D.C. 20426

Re: ISO New England Inc. and New England Power Pool, Docket No. ER10-438-____,
Compliance Filing of ISO New England Inc. and New England Power Pool.

Dear Secretary Bose and Deputy Secretary Davis:

In compliance with the Order issued by the Federal Energy Regulatory Commission (“FERC” or “Commission”) on February 12, 2010 in Docket No. ER10-438-000,¹ ISO New England Inc. (the “ISO”) and the New England Power Pool (“NEPOOL”) Participants Committee (the “Filing Parties”) hereby submit an original and five copies of this transmittal letter to provide a revised tariff sheet to amend Section III.12.9 of Market Rule 1 to reflect the ISO’s commitment to hold a stakeholder process during the year 2010 to address outstanding issues pertaining to the calculation of tie benefits for the third annual reconfiguration auction.² The revisions are being filed in accordance with Section 385.1907 of the Commission’s rules and regulations.³

On December 15, 2009, the ISO and NEPOOL submitted to the Commission alternative amendments to Section III.12.9 of Market Rule 1 on the calculation of tie benefits for annual reconfiguration auctions.⁴ On February 12, 2010, the Commission

¹ *ISO New England Inc. et al.*, 130 FERC ¶ 61,105 (2010) (the “February 12, 2010 Order”).

² Capitalized terms used but not defined herein are intended to have the meaning given to such terms in the ISO New England Inc. Transmission, Markets and Services Tariff, FERC Electric Tariff No. 3 (“ISO Tariff”), the Second Restated New England Power Pool Agreement, and the Participants Agreement. Market Rule 1 is Section III of the ISO Tariff.

³ 18 C.F.R. § 385.1907 (2009).

⁴ *ISO New England Inc. and New England Power Pool*, Filings Concerning the Installed Capacity Requirement and Related Values for the Final Reconfiguration Auction for the 2010/2011 Capability Year and Certain Market Rule Changes, Docket No. ER10-438-000 (filed December 15, 2009) (the “December 15, 2009 Filing”).

issued an order in the proceeding, in which it accepted the ISO's proposed tariff amendment. In accepting the ISO's amendment, the Commission directed the ISO to amend Section III.12.9 of Market Rule 1 to reflect the ISO's commitment to hold a stakeholder process during the year 2010 to address outstanding issues pertaining to the calculation of tie benefits for the third annual reconfiguration auction.⁵ The February 12, 2010 Order requires that a filing reflecting this amendment be made with the Commission within 30 days of the order.⁶

The Filing Parties are filing herewith a clean and redlined tariff sheet that reflects the change to Section III.12.9 of Market Rule 1 required by the Commission in the February 12, 2010 Order. The Filing Parties request that the Commission accept the tariff revision to be effective as of February 15, 2010, which was the date the ISO-proposed tariff amendments that were accepted by the Commission in the February 12, 2010 Order became effective.

I. MARKET RULE 1 MODIFICATION

In the February 12, 2010 Order, the Commission accepted the ISO's proposed amendment to Section III.12.9 of Market Rule 1 submitted with the December 15, 2009 Filing, conditional upon the inclusion in Section III.12.9 of language to memorialize the ISO's commitment to undertake a stakeholder process in 2010 to address issues pertaining to the calculation of tie benefits for the third annual reconfiguration auction. Specifically, the Commission stated:

[I]t is clear that ISO-NE plans to employ a stakeholder process during 2010 to address revising the tie benefit methodology for the last reconfiguration auction preceding a commitment period. In order to formalize this commitment, we will require ISO-NE to revise section III.12.9 of Market Rule 1, consistent with the language and timeline proffered by NEPOOL.⁷

The language proffered by NEPOOL regarding this commitment is quoted in the February 12, 2010 Order and is as follows:

By December 31, 2010, the ISO shall review with Market Participants and, as necessary, file proposed market rule amendments reflecting a methodology for tie benefit calculations to apply to future third annual reconfiguration auctions beginning with the third annual reconfiguration auction for the 2012/2013 Capacity Commitment Period.⁸

⁵ February 12, 2010 Order at PP 79-80 and Ordering Paragraph B.

⁶ *Id.* at Ordering Paragraph B.

⁷ *Id.* at P 80.

⁸ *Id.* at P 79.

Accordingly, Section III.12.9 of Market Rule 1 is being modified to incorporate this language.

II. STAKEHOLDER PROCESS

On February 26, 2010, the NEPOOL Reliability Committee voted without opposition, and with six abstentions, to recommend that the NEPOOL Participants Committee support the revision to Section III.12.9 filed herewith for compliance with the February 12, 2010 Order. On March 5, 2010, the NEPOOL Participants Committee voted without opposition, and with abstentions noted, to support the Section III.12.9 change filed herewith.

III. ADDITIONAL SUPPORTING INFORMATION

Section 35.13 of the Commission's regulations generally requires public utilities to file certain cost and other information related to an examination of traditional cost-of-service rates. However, the market rule change submitted herewith does not modify a traditional "rate" and the ISO is not a traditional investor-owned utility. Therefore, to the extent necessary, the Filing Parties request waiver of Section 35.13 of the Commission's regulations.⁹ Notwithstanding its request for waiver, the Filing Parties submit the following additional information in substantial compliance with relevant provisions of Section 35.13 of the Commission's regulations:

35.13(b)(1) – Materials included herewith are as follows:

- ◆ This transmittal letter;
- ◆ Attachment 1: Redlined Tariff Sheet reflecting the market rule revision;
- ◆ Attachment 2: Clean Tariff Sheet reflecting the market rule revision; and
- ◆ Attachment 3: List of governors and utility regulatory agencies in Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont to which a copy of this filing has been sent.

35.13(b)(2) – As set forth in the introduction above, the Filing Parties request that the revision to Section III.12.9 become effective as of February 15, 2010.

35.13(b)(3) – Pursuant to Section 17.11(e) of the Participants Agreement, Governance Participants are being served electronically rather than by paper copy. The names and addresses of the Governance Participants are posted on the ISO's website at http://www.iso-ne.com/regulatory/ferc/nepool/gov_ptcpnts_eserved.pdf. A paper copy of this transmittal letter and the accompanying materials have also been sent to the governors and electric utility regulatory agencies for the six New England states that comprise the New England Control Area, and to NECPUC. The names and addresses of

⁹ 18 C.F.R. § 35.13 (2009).

these governors and regulatory agencies are shown in Attachment 3. In accordance with Commission rules and practice, there is no need for the Governance Participants or the entities identified on Attachment 3 to be included on the Commission's official service list in the captioned proceeding unless such entities become intervenors in this proceeding.

35.13(b)(4) – A description of the materials submitted pursuant to this filing is contained in Section III of this transmittal letter.

35.13(b)(5) – The reasons for this filing are discussed in the introduction and in Section I of this transmittal letter.

35.13(b)(6) – The ISO's approval of this change is evidenced by this filing. This change reflects the results of the Participant Processes required by the Participants Agreement and reflect the support of the Participants Committee.

35.13(b)(7) – Neither the ISO nor NEPOOL has knowledge of any relevant expenses or costs of service that have been alleged or judged in any administrative or judicial proceeding to be illegal, duplicative, or unnecessary costs that are demonstrably the product of discriminatory employment practices.

35.13(b)(8) – A form of notice and electronic media are no longer required for filings in light of the Commission's Combined Notice of Filings notice methodology.

35.13(c)(1) – The market rule change herein does not modify a traditional "rate." The statement required under this Commission regulation is not applicable to this filing.

35.13(c)(2) – The ISO does not provide services under other rate schedules that are similar to the wholesale, resale and transmission services it provides under the Tariff.

35.13(c)(3) – No specifically assignable facilities have been or will be installed or modified in connection with the revisions proposed herein.

IV. CONCLUSION

For the foregoing reasons, the ISO respectfully requests that the Commission accept the attached Market Rule 1 revision filed herewith, as described above and in compliance with the Commission's February 12, 2010 Order, to be effective as of February 15, 2010.

Please acknowledge receipt of the foregoing by date-stamping and returning to our messenger the enclosed extra copies of this filing.

Respectfully submitted,

ISO NEW ENGLAND INC.

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NEW ENGLAND POWER POOL
PARTICIPANTS COMMITTEE

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Attachments

cc : Governance Participants (electronically) and entities listed in Attachment 3

ATTACHMENT 1

Redlined Tariff Sheet

auctions, the ISO shall use the same tie benefits calculated for use in the Forward Capacity Auction conducted for the Capacity Commitment Period.

By December 31, 2010, the ISO shall review with Market Participants and, as necessary, file proposed market rule amendments reflecting a methodology for tie benefit calculations to apply to future third annual reconfiguration auctions beginning with the third annual reconfiguration auction for the 2012/2013 Capacity Commitment Period.

III.12.9.1 Individual Control Area Contributions to the Total Tie Benefits. The contribution of an external Control Area directly connected to the New England Control Area to the total amount of tie benefits, as determined in accordance with Section III.12.9, shall be determined based on the LOLE calculated before and after removing the direct interconnections between New England and the target external Control Area used to calculate the total amount of tie benefits as specified in Section III.12.9. The tie benefits from the target Control Area, if any, shall be the amount of firm capacity equivalents needed in the New England Control Area to bring the New England Control Area LOLE, without the New England interconnections with the target Control Area included in the interconnected system, equal to the New England Control Area LOLE with the interconnections with the target Control Area included in the interconnected system. If the sum of the tie benefits from the individual external Control Areas directly connected to the New England Control Area is not equal to the total amount of tie benefits as determined in accordance with Section III.12.9, then each of the Control Area's tie benefits will be adjusted based on the ratio of the individual Control Area tie benefit to the sum of the tie benefits times the total tie benefits as determined in accordance with Section III.12.9. The contributions to the tie benefits from each Control Area directly connected to the New England Control Area shall be used in the calculation of the Local Sourcing Requirements and Maximum Capacity Limits.

ATTACHMENT 2

Clean Tariff Sheet

auctions, the ISO shall use the same tie benefits calculated for use in the Forward Capacity Auction conducted for the Capacity Commitment Period.

By December 31, 2010, the ISO shall review with Market Participants and, as necessary, file proposed market rule amendments reflecting a methodology for tie benefit calculations to apply to future third annual reconfiguration auctions beginning with the third annual reconfiguration auction for the 2012/2013 Capacity Commitment Period.

III.12.9.1 Individual Control Area Contributions to the Total Tie Benefits. The contribution of an external Control Area directly connected to the New England Control Area to the total amount of tie benefits, as determined in accordance with Section III.12.9, shall be determined based on the LOLE calculated before and after removing the direct interconnections between New England and the target external Control Area used to calculate the total amount of tie benefits as specified in Section III.12.9. The tie benefits from the target Control Area, if any, shall be the amount of firm capacity equivalents needed in the New England Control Area to bring the New England Control Area LOLE, without the New England interconnections with the target Control Area included in the interconnected system, equal to the New England Control Area LOLE with the interconnections with the target Control Area included in the interconnected system. If the sum of the tie benefits from the individual external Control Areas directly connected to the New England Control Area is not equal to the total amount of tie benefits as determined in accordance with Section III.12.9, then each of the Control Area's tie benefits will be adjusted based on the ratio of the individual Control Area tie benefit to the sum of the tie benefits times the total tie benefits as determined in accordance with Section III.12.9. The contributions to the tie benefits from each Control Area directly connected to the New England Control Area shall be used in the calculation of the Local Sourcing Requirements and Maximum Capacity Limits.

ATTACHMENT 3

List Of Governors And Utility Regulatory Agencies In New England

The Honorable M. Jodi Rell
State Capitol
210 Capitol Ave.
Hartford, CT 06106

Connecticut Dept. of Public Utility Control
10 Franklin Square
New Britain, CT 06051-2605

Maine Public Utilities Commission
State House, Station 18
242 State Street
Augusta, ME 04333-0018

The Honorable John E. Baldacci
One State House Station
Rm. 236
Augusta, ME 04333-0001

The Honorable Deval Patrick
Office of the Governor
Rm. 360 State House
Boston, MA 02133

Massachusetts Dept. of Public Utilities
One South Station
Boston, MA 02110

The Honorable John H. Lynch
State House
25 Capitol Street
Concord, NH 03301

New Hampshire Public Utilities Commission
21 South Fruit Street
Ste. 10
Concord, NH 03301-2429

The Honorable Donald L. Carcieri
State House Room 115
Providence, RI 02903

Rhode Island Public Utilities Commission
89 Jefferson Blvd.
Warwick, RI 02888

The Honorable James H. Douglas
109 State Street, Pavilion
Montpelier, VT 05609

Vermont Public Service Board
112 State Street, Drawer 20
Montpelier, VT 05620-2701

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Utilities Commissioners
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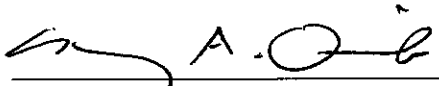
Heather Hunt
Executive Director
NESCOE
242 Whippoorwill Lane
Stratford, CT 06614

John Shea
Power Planning Committee
New England Governors' Conference Inc.
76 Summer Street, 2nd floor
Boston, MA 02110-1226

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused the foregoing document to be served upon the entities identified on Attachment 3 and upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C., this 11th day of March, 2010.



Sherry A. Quirk