



Gordon van Welie
President and Chief Executive Officer

January 28, 2014

New England States Committee on Electricity

RE: NESCOE's Request for ISO-NE Technical Support and Assistance with Tariff Filings Related to Electric and Natural Gas Infrastructure in New England

Dear NESCOE Managers:

Thank you for your letter regarding the New England states' initiative on energy infrastructure. As you know, the ISO has identified the reliance on natural gas for electricity generation as one of the most pressing challenges for the region. The past two winters' operational experience and high natural gas prices have provided further evidence that the region's natural gas pipeline infrastructure is severely constrained. As the demand for natural gas grows and retirements of non-gas-fired electricity generators occur, the region will face increasing risks to power system reliability and more volatile wholesale electricity prices, unless additional investments are made in fuel infrastructure and storage (including natural gas pipeline infrastructure), or in alternative forms of electric energy production. The ISO is reviewing the request regarding a tariff change to facilitate the construction of new, or the expansion of existing, pipelines. Any new mechanism in our tariff to collect revenues for the procurement of additional natural gas capacity will need to be reviewed and discussed with the states and NEPOOL participants in the regional stakeholder process. We understand the urgency of your request and plan to move forward expeditiously on this matter.

Also in your letter, you ask for ISO New England's support as the states pursue additional transmission infrastructure. The ISO has provided technical assistance and information pursuant to its tariff to assist the New England states in achieving their clean energy goals over the past several years and is pleased to continue with these efforts to facilitate the identification, planning and integration of the type of new transmission facilities described in your letter.

Thank you for your work on these issues. I am encouraged by the New England states' initiative and believe that this is an important step toward addressing some of the region's most significant challenges.

Sincerely,

A handwritten signature in black ink, appearing to read "Gordon van Welie", written over a dashed horizontal line.

Gordon van Welie
President and Chief Executive Officer