

FINAL

A meeting of the NEPOOL Participants Committee was held beginning at 10:00 a.m. on Friday, September 12, 2014 at The Colonnade Hotel, Boston, Massachusetts, pursuant to notice duly given. A quorum determined in accordance with the Second Restated NEPOOL Agreement was present and acting throughout the meeting. Attachment 1 identifies the members, alternates and temporary alternates attending the meeting.

Mr. Joel Gordon, Chairman, presided and Mr. David Doot, Secretary, recorded. Mr. Gordon welcomed the members, alternates and guests who were present.

VOTE ON SLATE OF CANDIDATES FOR ISO BOARD (EXECUTIVE SESSION)

The Committee began the meeting with members agreeing to go into Executive Session to consider a proposed slate of candidates for election to the ISO Board. Members were reminded that the reason for consideration of the slate in Executive Session was to maintain the identity of the candidates being considered for membership on the ISO Board in confidence until there was a final ISO Board decision on the slate. That slate, which was identified in a confidential package of materials that was circulated to the members and alternates of the Committee in advance of the meeting, was presented on behalf of the Joint Nominating Committee (JNC) by Ms. Kathleen Abernathy, with comments from the Participants Committee Officers who were members of the JNC. Following that presentation, Ms. Abernathy and all ISO representatives and all guests present left the meeting. The slate was then discussed among the voting representatives.

Following discussion in Executive Session, the following motion was duly made, seconded and voted by written ballot per prior agreement of the Participants Committee:

RESOLVED, that the Participants Committee endorses the slate of candidates for the ISO Board that has been recommended by the Joint Nominating Committee and presented to the Participants Committee in Executive Session at this meeting.

Following the tabulation of the written ballots, the Committee came out of Executive Session, were rejoined by ISO representatives and guests, and Mr. Gordon announced that the motion to endorse the slate passed with a vote in excess of 70% of the aggregate Sector Voting Shares, as required under the Participants Agreement. Mr. Gordon reminded the Committee that the ISO Board would vote on the Committee-endorsed confidential slate at its September Board meeting, and again urged Participants to maintain the identity of the slate confidential until the ISO Board announced publicly the election of the slate. He indicated that a copy of the ISO announcement would be circulated to the Committee promptly following its issuance.

APPROVAL OF MINUTES OF AUGUST 1, 2014 MEETING

Mr. Gordon referred the Committee to the preliminary minutes of the August 1, 2014 Participants Committee meeting that had been circulated in advance of the meeting. Following motion duly made and seconded, the preliminary minutes of the August 1, 2014 meeting were unanimously approved.

CONSENT AGENDA

Mr. Gordon referred the Committee to the Consent Agenda circulated in advance of the meeting. Following motion duly made and seconded, the Consent Agenda was unanimously approved without discussion or comment.

REPORT OF THE ISO CHIEF EXECUTIVE OFFICER

Mr. Gordon van Welie, ISO Chief Executive Officer (CEO), referred the Committee to the written summaries of the ISO Board and Board Committee meetings that had occurred since

the last Participants Committee meeting, which were circulated and posted in advance of the meeting. There were no questions or comments on the ISO Board summaries.

Mr. van Welie pointed out the many similarities between New England's challenges and those of Germany, Northern Scandinavia and California, including the following:

- Reduction in nuclear capacity;
- Policy shift away from fossil fuels (coal and oil);
- Policy commitment to renewable energy on the system;
- Investment in behind-the-meter distributed generation;
- Flexibility and performance from the resource base in terms of balancing renewables;
- Desire to build transmission lines to neighboring systems to balance renewables; and
- Hot debates around capacity markets.

He noted that the resulting issues were being discussed in a recent meeting in Paris, with speakers from all over the world, where it was reported that many countries were struggling with the same issues as New England. He said that European markets currently were debating their capacity markets and had sought input from ISO-NE and PJM. He summarized the key issue presented was how to maintain viable electric markets while still accommodating public policy goals.

Mr. van Welie reported that a recent FERC conference on price formation revealed that New England was relatively advanced in this discussion, having explored price formation issues for years. He opined that the region had made progress to improve wholesale market price formation, including increasing Reserve Constraint Penalty Factors (RCPFs) and supplemental reserves over the last several years, and working to implement hourly offers. He reported the ISO planned to present to stakeholders some proposals on how to further improve price formation in the energy market. In response to a question, Mr. van Welie stated that price formation issues were reasonably well understood in New England, but they had become broader because, in part, the polar vortex in February caused huge uplift costs. He said that the FERC

appeared to understand the importance of price formation in securing resource adequacy. For New England, the market design objective would be to try to secure resource adequacy and an efficient dispatch on a daily basis, and that objective would be advanced by improved price formation. He noted the policy goal to expand renewables on the system continued to strain system operations, increasing the probability of out-of-market actions. The challenge would be to appropriately reflect the price impacts of those decisions within the market.

Discussion turned to the challenges presented by the lumpiness of investment in new resources. One member noted that long-term investments like Footprint caused problems with near term price formation. The ISO made clear that the system needs for new investment each year were dynamic and the fact that Footprint cleared at 600 MWs was because it was the resource in the relevant auction that was able to meet the identified need in that auction. The ISO did not select that resource based on an identified longer term need. In response, a member noted that the market design favored less-expensive, short-term solutions that will come at an exceptionally high price in the long-term. That market dynamic, this member explained, was one of the reasons the Participant was strongly supportive of the Governors' efforts to support long-term infrastructure investment.

Mr. van Welie agreed with, and reinforced the observations concerning, the need for long-term infrastructure investment. He expressed the view that the region must make investment in infrastructure or see political support for markets evaporate.

In response, a member noted that much of the region's problem stemmed from energy pricing that was resulting in inefficient use of existing infrastructure. He expressed concern that the ISO was signaling a lack of confidence that the markets would deliver what was necessary to maintain reliable operations. He urged greater emphasis on finding market improvements that would extract more efficient use of existing resources.

Continuing the discussion, it was noted that some of Germany's challenges were the result of conflicting public policies that encouraged simultaneous development of coal and solar resources. It was observed that, here, the challenges of satisfying environmental goals were not necessarily aligned with the need for stable, lower prices. Mr. van Welie observed that it was particularly challenging to design a market that could simultaneously satisfy near-term desires while achieving long-term goals. He opined that vertically integrated markets such as Florida, that had not restructured, did not have the same challenges in supporting long-term investment. That observation prompted a response that Florida invested \$5 billion in nuclear facilities that were being abandoned, and consumers, not investors, were required to pay those costs in the long run.

Mr. van Welie concluded his report by describing, in response to the FERC's September 9 order on the Winter 2014/15 Reliability Program, the ISO's plans for addressing winter reliability issues for the three winter periods preceding implementation of the ISO's FCM performance incentives (or "pay for performance" (PFP)). He explained that the ISO would engage NEPOOL in discussions during the fourth quarter of 2014 to define the design/market objectives for those winter periods, including discussions of whether to continue with winter programs similar to the 2014/15 Program (subject to refinement) or to develop and implement changes that rely more heavily on markets to procure winter services. He noted that each path would have different design objectives and implications, and he identified challenges associated with defining the winter service to be procured in a short-term, market-based approach that could be implemented in the near-term and ensure a competitive market response.

In response to questions, Mr. van Welie confirmed that the ISO saw PFP as the long-term market solution, and that the September 9 order allowed flexibility in how to address the intervening three winter periods prior to PFP implementation. He noted the FERC's preference

for a market-based solution. For the next three winters, the ISO would be seeking a workable solution that would sustain reliability and avoid the need to design a new program every spring, even if that solution reflected out-of-market elements.

A Generation Sector representative challenged the assertion that PFP would serve as a long-term solution to winter reliability, and the corresponding view that only a three-year solution was required. She urged the ISO to focus its efforts on developing market-based, rather than out-of-market, mechanisms to enhance fuel security and assurances of adequate winter natural gas supplies. Participants agreed that the sooner an approach could be identified and communicated, the better. Others, noting the challenges with developing a comprehensive market-based proposal, urged the ISO to open discussions with Participants individually to explore what actions those Participants might be able and willing to undertake independently in support of winter reliability.

REPORT OF THE ISO CHIEF OPERATING OFFICER

Dr. Vamsi Chadalavada, ISO Chief Operating Officer (COO), referred the Committee to the September COO report addressing August operations, which was circulated in advance of the meeting and posted on the NEPOOL and ISO websites. Focusing on highlights, he stated that, in August: (i) natural gas average prices were 15.9% lower than July average prices; (ii) Real-Time Hub locational marginal prices (LMPs) on average were 13.4% lower than July LMPs; (iii) average daily (peak hour) Day-Ahead cleared physical Energy, as a percent of forecasted load, was 98.6% in August, versus 99.2% in July; (iv) daily NCPC for August, totaling \$5.4 million, was \$4.1 million lower than July NCPC; (v) first contingency payments, totaling \$1.6 million, were \$977,000 lower than July's; (vi) second contingency payments totaled \$2.9 million, which was \$3.5 million lower than in July; and (vii) voltage support payments totaled \$940,000, which was \$653,000 higher than July payments.

In response to a question regarding Local Second Contingency Protection Resource (SCPR) in NEMA, Dr. Chadalavada explained that the ISO models capacity constraints for both East/West and NEMA/Boston, with both constraints enforced in the Day-Ahead Market. He said that there was a need for “rotating inertia” in NEMA/Boston when loads were high, particularly in the summer. He stated the Information Policy precluded further disclosure, but certain resources in NEMA/Boston had changed how they were offering into the market. Summarizing, he said that LSCPR charges in NEMA were being driven by a combination of the requirements for operating capacity in NEMA/Boston at certain load levels and the offers into the system to satisfy those requirements. He noted he did not foresee a change that would result in different outcomes until more resources in NEMA/Boston became available, were self-scheduled, or obviated the need for commitments outside that market. He did not see this uplift to be the result of imports into NEMA/Boston or a transmission issue. He added that similar uplift results could occur in the winter, but that would be far more unpredictable because of natural gas supply and prices.

In response to questions concerning uplift and the retirement of Vermont Yankee, Dr. Chadalavada stated that he did not anticipate the need for local commitment units, but the retirement would remove a large amount of energy production from the supply stack, which would increase the ISO’s need to rely on longer-lead-time resources. In response to another question, Dr. Chadalavada stated that the ISO planned in October to report on the uplift impact of the Interstate Reliability Project.

Dr. Chadalavada highlighted that summer 2015 and summer 2016 would be very challenging given the absence of infrastructure and with pipeline construction underway. In follow up to a question, he added that, while it was true that Day-Ahead commitments were tied to the eligibility requirements, start-up and no load and how that generates uplift in the Day-

Ahead Energy Market was important to note because that constraint was modeled in the system and prevented out-of-merit commitments in the Reserve Adequacy Assessment. He stated that co-optimization of Day-Ahead reserves and energy was a desired market enhancement.

In response to a question, Dr. Chadalavada committed the ISO to provide analysis that considered the price suppressing effects of out-of-merit commitments. He explained that recent and pending changes would improve modeling in the Day-Ahead and Real-Time Energy Markets, with associated improvements in price formation and, therefore, reductions in uplift.

He concluded his presentation reporting that, in response to Participant feedback, the ISO decided to stick to the December 3 implementation date for hourly offers.

He ended his report noting that, for the 2014/15 Winter Program, the ISO had received expressions of interest from entities seeking to participate in the oil and LNG inventory programs, but it was premature to predict results. The ISO committed to report that information at a later meeting.

REPORT ON 2015 ISO-NE OPERATING AND CAPITAL BUDGETS AND 2015 NESCOE BUDGET

Mr. Peter Fuller, Budget & Finance Subcommittee Chair, introduced discussion of the 2015 ISO Operating and Capital Budgets (2015 ISO Budgets). He outlined the following stakeholder process for review of the 2015 ISO Budgets that was followed in accordance with the 2013 ISO Budget settlement:

- Presentation and discussion with Regulators at the 2014 NECPUC Symposium;
- Presentation and discussion at the Participants Committee Summer Meeting;
- Management review of feedback from the stakeholder meetings and the ISO Board and incorporation of initiatives into the 2015 ISO Budgets;
- Presentation and discussion of updates to the proposed 2015 ISO Budgets at the August 27 Budget & Finance Subcommittee meeting;
- Meeting between ISO and state representatives on August 28 and the States' submission of written questions for review by the ISO; and

- Presentation and discussion at the September 12 Participants Committee meeting.

He explained that a final vote would take place at the October 3 Participants Committee meeting.

Mr. Robert Ludlow, ISO Chief Financial & Compliance Officer, then referred the Committee to the presentations of the proposed 2015 ISO Budgets and 2015 NESCOE Budget posted in advance of the meeting. He reviewed, as outlined by Mr. Fuller, that the States had submitted follow-up questions on the budget materials, including questions addressing staffing levels, turnover in hiring, compensation, pension assumptions, depreciation assumptions, and overall impact of the 2015 Budget proposal on rates. He reported that, on September 25, the ISO would share with NEPOOL the projected impact on the rates across the various schedules. He informed the Committee that the ISO had posted on the ISO website all the States' questions received and answers on the 2015 Budget proposal. The States had until September 25 to provide comments to the ISO. The ISO had until October 8 to respond to those comments. The ISO Board would, with the benefit of all the input received, then consider the proposed 2015 ISO Budgets in mid-October to allow for a Tariff filing shortly thereafter and a FERC order by year-end.

Mr. Ludlow explained that the ISO was not looking to add any new activities or services. He highlighted adjustments to the previous year's budget as outlined in the materials circulated in advance of the meeting. He provided an overview of the proposed 2015 ISO operating budget (excluding depreciation and the true-up for past years), reporting that it was 4.4% (or \$5.7 million) higher than the 2014 budget. He explained that budgeted depreciation expense increased \$3.4 million primarily due to amortization of a number of large capital projects, including the Back-up Control Center, that went into effect earlier in 2014, and the Hourly Offers project which would go into service in December. He explained that these increases were more than offset by the 2013 true-up of \$9.8 million, resulting in a 1.6% reduction in the Tariff

revenue requirement for 2015. He referenced briefly the \$100,000 reduction from the earlier \$147.2 million budget estimate, explaining that the updated budgets reflected detailed, bottoms-up work by cost center managers.

Turning to the 2015 Capital Budget, Mr. Ludlow reviewed that the proposed budget was consistent with that of 2014 and maintained a level of spending at \$28 million for software development and market enhancements. He reviewed a chart reflecting many of the projects, noting that the ISO discussed the projects on a quarterly basis with the Budget & Finance Subcommittee. He noted that many of the projects that were in planning and conceptual design phases represented high-level estimates based on historical projects with similar sets of terms and conditions. In summary, he stated that, given the fact that there were to be no changes in the level of spending, and there were to be no proposed revisions to the ISO's capital structure, there was no need to issue any new debt in 2015. He reported that all projects had been refinanced and the only expected activity in this space would be that the ISO's lines of credit would be due during the middle of 2015 and the ISO planned to renew those lines of credit at the current levels – a \$28 million operating line of credit and \$4.4 million shortfall fund.

Turning to the 2015 NESCOE Budget, Mr. Fuller referred the Committee to the NESCOE materials posted in advance of the meeting. He said that the 2015 NESCOE Budget was presented at the August 27 Subcommittee meeting and was consistent with NESCOE's previously approved 5-year *pro forma* budget. He reported that the proposed rate of collections for 2015 was \$0.00. Mr. Ludlow explained that the true-up completely offsetting the 2015 NESCOE budget was due to a compounding of errors in the schedule used to calculate the true-ups in each of the last few years. It would continue to have a carryover effect into 2016, as there remained \$1.5 million to be offset against the budget recommendation for 2016, in addition to any true-up from 2014.

Mr. Gordon re-emphasized that the 2015 Budgets would be voted at the October 3 Committee meeting. He urged members to raise any questions or concerns that needed to be answered in advance of the vote directly with Messrs. Fuller and/or Ludlow as soon as possible. He stated that if needed, another Subcommittee meeting would be scheduled to consider any additional questions or concerns raised.

CHANGES TO ISO SELF FUNDING TARIFF AND TARIFF DEFINITIONS TO REFLECT ENERGY MARKET OFFER FLEXIBILITY (EMOF) CHANGES

Mr. Fuller referred the Committee to the materials circulated in advance of the meeting regarding changes to Tariff definitions related to Schedule 2 of the ISO's Self-Funding Tariff that were proposed in connection with the planned December 3, 2014 implementation of the EMOF changes (Definition Changes). With the implementation of the EMOF changes, the determination of Energy Transaction Units (ETUs) pursuant to Schedule 2 of the Self-Funding Tariff needed to be conformed to recognize the ability of Market Participants to offer different hourly price-quantity pairs and to submit modifications to Real-Time offers. Accordingly, changes to the definitions of "Asset Related Demand Bid Block-Hours" and "Supply Offer Block-Hours", each of which were used to define ETUs, were proposed. In addition, a clean-up change to simplify "Energy Administration Service" has also been proposed. He reported that the Budget & Finance Subcommittee discussed the proposed changes at its May 13 and August 13 meetings and no objections were raised. The Subcommittee recommended that the Definition Changes be supported by the Participants Committee.

The Committee considered and approved unanimously the following motion:

RESOLVED, that the Participants Committee supports the changes to the definitions set forth in Section I.1.2 of the ISO Tariff and used in Section IV.A of the ISO Tariff, proposed in connection with the implementation of the Energy Market Offer Flexibility changes, as recommended by the Budget & Finance Subcommittee and as provided to this Committee in

advance of this meeting, together with such non-substantive changes as the Chief Financial Officer of ISO New England and the Chairman of the Budget & Finance Subcommittee may approve.

MARKET RULE 1 CHANGES (ALLOCATION FOR CERTAIN UPLIFT COSTS; REGULATION MARKET CHANGES FOR STORAGE MANAGEMENT; AND FUEL PRICE ADJUSTMENT VERIFICATION PROCESS)

Mr. Gordon reviewed the proposed process for the Committee's discussion and consideration of three sets of Market Rule changes from the Markets Committee that were all unanimously approved by the Markets Committee and would have been on the Consent Agenda but for the timing of the Markets Committee meeting. He stated that Ms. Allison DiGrande, Markets Committee Chair, would present each set of changes and suggested that the Committee then vote on all three motions together, noting any objections or abstentions on each motion individually. There were no objections to the proposed process for consideration of the three motions.

Ms. DiGrande referred the Committee to materials circulated in advance of the meeting regarding Market Rule changes for the allocation of certain uplift costs, Regulation Market changes for storage management, and fuel price adjustment verification process. She identified changes from the materials reviewed at the September 3-4, 2014 Markets Committee meeting that were proposed by the ISO to correct an inadvertent omission in their recent filing that had been made to Appendix F on the NCPC changes relating to EMOF. She explained that, under the current Rules, Real-Time Load Obligations (RTLO) for resources that are Dispatchable Asset Related Demand (DARD) with pump loads are excluded from the cost allocation of LSCPR. That exclusion was meant to be carried forward with EMOF, and the ISO proposed changes will accomplish that.

Ms. DiGrande then reviewed the second set of Market Rule 1 changes regarding Regulation Market enhancements for storage management resources. She stated that, in its May 20, 2014 order, the FERC rejected certain changes to the Regulation Market design jointly proposed by ISO and NEPOOL and those rejected changes would have dispatched both generators and Alternative Technology Regulation Resources (ATRRs) in the new Regulation Market using the AGC dispatch method for generation resources, instead of a separate dispatch method for ATRRs such as storage resources. She explained that the modifications now recommended by the Markets Committee to the Regulation Market would provide ATRRs (including storage management resources) with the option to select one of three different AGC dispatch methodologies: (1) the “continuous” AGC dispatch signal (same signal currently used for generators); (2) an “energy-neutral continuous” AGC dispatch signal; or (3) an “energy-neutral trinary” AGC dispatch signal. She reported that the Market Committee at its September 3-4, 2014 meeting considered and voted unanimously by a show of hands to recommend Participants Committee support for these changes (with one abstention).

The last item Ms. DiGrande reviewed, was the IMM-proposed changes to Appendix A of Market Rule 1 to modify the fuel price adjustment verification process. The recommended changes were motivated by IMM-expressed concerns, referencing experiences during the Winter 2013/14 period, that the current documentation and verification requirements would be too restrictive once EMOF is implemented. Specifically, the IMM worried that such requirements “may result in some Market Participants being unnecessarily ‘locked out’ from using the automated Fuel Price Adjustment submission software interface incorporated into eMarket,” particularly during times of increased fuel price volatility. To address these concerns, the IMM proposed changes to Section III.A.3.4 to modify the fuel price adjustment verification process that would be used once energy offer flexibility changes are implemented. She reported that, at

its September 3-4, 2014 meeting, the Markets Committee voted unanimously to recommend Participants Committee support for these IMM-proposed changes to Appendix A (with one abstention).

Following motions duly made and seconded, the Committee considered and unanimously approved the following motions, through a consolidated vote of all three items, with an abstention noted on the second motion by Beacon Power:

RESOLVED, that the Participants Committee supports the revisions to Appendix F to Market Rule 1, as provided to this Committee in advance of this meeting, together with such non-substantive changes as may be approved by the Chair and Vice-Chair of the Markets Committee.

RESOLVED, that the Participants Committee supports the revisions to Market Rule 1 to implement regulation enhancements for storage management resources, as provided to this Committee in advance of this meeting, together with such non-substantive changes as may be approved by the Chair and Vice-Chair of the Markets Committee.

RESOLVED, that the Participants Committee supports the revisions to Appendix A to Market Rule 1 to modify the fuel price adjustment verification process as well as a clean-up change to Appendix F to Market Rule 1, as provided to this Committee in advance of this meeting, together with such non-substantive changes as may be approved by the Chair and Vice-Chair of the Markets Committee.

COMMON PROVISIONAL GROUP MEMBER PROPOSAL

Mr. Patrick Gerity, NEPOOL Counsel, referred the Committee to the materials circulated in advance of the meeting regarding proposed amendments to the NEPOOL Agreement that would, in place of the existing Sector-based Provisional Member group seats, establish a Common Provisional Group Member (CPGM) to reside outside of, and to vote separately from, the six Sectors (the Proposal). He reported that the Proposal had been recommended for approval by those members participating at the Membership Subcommittee and culminated efforts undertaken since the May 2 Participants Committee meeting to address governance issues

raised by recent applications for Provisional Membership. After summarizing the Proposal's elements, he explained that much of the discussion at the Subcommittee focused on how Provisional Members would be afforded the opportunity to participate in the Participants' bi-annual meetings with the ISO Board of Directors (as well as with New England state representatives). To that point, he reviewed the following understanding with respect to that participation, set forth more fully in the supporting materials, that had been reached amongst the Chair and Vice-Chairs who, under the Participants Agreement, were the NEPOOL representatives tasked with working with the ISO in the establishment of agendas for such meetings:

So long as biannual meetings [meetings with the ISO Board of Directors and New England state regulators] continue to be organized along [] modified Sector lines, each Participant in the CPGM will be included with the Sector/business interest group that most directly aligns with the business interest it will have in the New England if the business plan reflected in its submissions to NEPOOL and ISO-NE are implemented, as determined by the CPGM member and the Sector Vice-Chairs. As is currently the case with any other Participant member, there may be issues where the group's communications to the Directors and/or regulators can be enhanced by imposing reasonable and limited restrictions on a member's participation or discussion. In such a case, the restriction will be communicated by the applicable Sector Vice-Chair directly to the Directors and/or regulators and the member(s), and the Participant whose participation is restricted may be asked to leave the room for that portion of the discussion. The understanding, expectation and intent is that any such restriction would be very narrow, specifically tailored, and used only in exceptional circumstances.

Mr. Gerity stated that, should the Proposal be approved, the understanding would be implemented beginning with the upcoming November meetings with the ISO Board, absent contrary direction from the Committee. He acknowledged that the Proposal did not address all of the governance concerns that had been raised through the process, particularly a resolution of the Sector eligibility of a Merchant Transmission Provider, but the Proposal was widely-viewed as a necessary near-term step to facilitate the membership of, and participation by, entities pursuing development of bulk power resources in New England. He advised the Committee that

approval of the Proposal required a NEPOOL Vote of 66 2/3% or higher, with that vote achieved in balloting in which the Minimum Response Requirement was satisfied.

In response to questions, Mr. Gerity explained how the Proposal would be applied to pending applicants, including the voting share and cost impacts of the proposed arrangements. He described how Provisional Members' relative voting share would remain essentially unchanged, while their contribution to Participant Expenses would be slightly reduced for those that would have otherwise been in the Generation or Transmission Provisional Member Group Seats, and slightly increased for those currently in the AR Sector. For existing Provisional Members, participation in the bi-annual meetings with the ISO Board and New England state representatives would remain essentially unchanged.

Recalling the reasons for its application for Provisional Member status more than seven years earlier, the New England Independent Transmission Company (NEITC) representative opined that the Proposal would permit NEITC to continue to attend, as desired, Principal Committee meetings and to be afforded an opportunity to participate with the Transmission Owners in the bi-annual meetings with ISO Board and New England state representatives, thus ensuring in large measure the continued benefits of membership that had motivated NEITC initially to join NEPOOL. He affirmed NEITC's continued plans to own and operate new transmission that would be included in the region's rate base.

There being no further clarifying questions, the following motion was duly made and seconded:

RESOLVED, that the Participants Committee approves the Common Provisional Group Member Proposal, as recommended by the Membership Subcommittee and as provided to this Committee in advance of this meeting, and authorizes and directs the Balloting Agent (as defined in the Second Restated NEPOOL Agreement) to circulate ballots for approval of an agreement amending the New England Power Pool Agreement to effect the Proposal, to each Participant for

execution by its voting member or alternate of this Committee or such Participant's duly authorized officer.

The Committee then discussed the Proposal. Criticizing the aspect of the Proposal that reduced the Sector Voting Share of each of the six Sectors equally by up to a maximum one-sixth of one percent, an End User representative argued that the voting share reduction should instead have been applied only to the three Sectors that already contained provisions for Provisional Member group seats. He also suggested that the CPGM's member and alternate be required to be of different Sector/business interests. A Transmission Sector representative highlighted a potential deficiency in the definition of Related Person that had surfaced in the efforts leading up to the Proposal.

More generally, a number of Participants expressed a lingering trepidation that the Proposal did not, as acknowledged up front, resolve the open question as to what Sector(s) a non-incumbent, Merchant Transmission Provider would be eligible to participate in as a full member. Mr. Gerity indicated that the Membership Subcommittee would re-visit that issue as the MTF developers' projects moved them nearer to eligibility for full member status. Others expressed reservations with the understanding reached with respect to Provisional Members' participation in the bi-annual meetings with the ISO Board and New England state representatives, particularly with the role to be played by the Sector Vice-Chairs. A number of the Vice-Chairs shared their experiences and views on their role in facilitating the sector/business interest meetings. They each noted the importance of feedback from, and collaboration with, their sector members, and ensuring that members had a reasonable opportunity to express their views on the topics presented and of importance to them. In response to direct questions, the Transmission Sector Vice-Chair stated that, to the extent that either of the transmission developers whose applications for Provisional Membership were pending expressed an interest in participating in the transmission sector's meeting with the ISO Board, either or both would be invited to

participate in discussion of any items unless those discussions might present conflict of interest or Related Person issues.

Members supporting the Proposal highlighted the importance of having governance arrangements that facilitated participation by all those interested, allowing them the opportunity to register positions through comments or by casting a vote, however small or large a percentage that might be. Under the circumstances, they viewed the Proposal as an acceptable compromise. They acknowledged that the compromise left for another day resolution of some governance issues, which they were willing to take back up when and as appropriate, but focused on the fact that the Proposal permitted immediate participation by all interested in provisional membership, without significant adverse impact on those Provisional Members already participating.

After further discussion and clarification, the Committee considered and approved by a show of hands the pending motion, approving the Proposal and directing the Balloting Agent to circulate ballots for approval of a 126th Agreement amending the NEPOOL Agreement to effect the Proposal, with oppositions noted by BP, High Liner Foods, and each of the Large Market Participant End Users represented by Freedom Energy, and an abstention noted by NEITC.

Mr. Gordon urged Participants to promptly return their ballots on the 126th Agreement.

NEEC MEMBERSHIP APPLICATION

Mr. Gerity, referred the Committee to the materials circulated in advance of the meeting regarding consideration of an application for membership in NEPOOL as a Provisional Member by the New England Energy Connection, LLC (NEEC). He reported that the Membership Subcommittee was not able to reach a consensus on the approval of NEEC's application at its August 18, 2014 meeting, primarily due to unfinished efforts at the time with respect to the CPGM Proposal that had just been approved. He reported that NEEC had requested a November

1, 2014 effective date for its membership, the same date the CPGM Proposal would, if approved in balloting, be implemented.

The following motion was duly made and seconded:

RESOLVED, that the Participants Committee approves the membership Application of the New England Energy Connection (NEEC) subject to the following conditions: (i) that NEEC sign and return the Standard Membership Conditions, Waivers and Reminders acceptance letter; (ii) that the ISO and NEPOOL counsel find the NEEC complete; and (iii) that NEEC execute an Indemnification Agreement.

The NEEC representative stated that NEEC's application, which had been submitted before the CPGM Proposal had been finalized, requested Provisional Member status in the Transmission Sector, consistent with the then-effective NEPOOL Agreement, and thanked the Committee for its consideration.

Discussion ensued on whether and how to take action on the NEEC application in light of the pending balloting of the CPGM Proposal (126th Agreement), which could directly impact NEEC's membership and Participant positions with respect to the NEEC application. One member proposed that action on the NEEC application be deferred until the results of the balloting of the 126th Agreement were known. In response to questions, Mr. Doot explained that the NEEC membership, as with all memberships, would be subject to the NEPOOL arrangements in effect at the time of the effectiveness of its membership, as well as any subsequent changes that may occur, including implementation of the CPGM Proposal pursuant to the 126th Agreement. He suggested that, should the Committee wish to condition approval of NEEC's membership on approval of that Proposal, but proceed with action on the NEEC application at the meeting, it could do so by amending the pending resolution to reflect that condition. A number of members supported that course of action as consistent with the

understandings discussed during the Membership Subcommittee in finalizing the CPGM Proposal.

The NEEC representative, however, opposed the imposition of the additional condition, asserting that to do so would be inconsistent with the membership requirements in the NEPOOL Agreement, with which she believed NEEC had reasonably and fully complied. In response, Mr. Doot explained that the NEPOOL Agreement provided the Participants Committee the authority to impose reasonable conditions on applications for NEPOOL membership, and indicated that the additional condition would primarily allow the Committee to act at the meeting without the need to defer action on the NEEC application to a subsequent meeting.

The main motion was then amended without opposition to include the following additional condition:

(iv) the agreement amending the NEPOOL Agreement to provide for a Common Provisional Member Group Seat is approved in balloting.

In light of the approval of the additional condition, the proposal to defer action on the NEEC application was withdrawn. Following further discussion, the amended main motion was unanimously approved, with abstentions noted by Emera, HQ and NU.

LITIGATION REPORT

Mr. Doot referred the Committee to the litigation report circulated and posted with the meeting materials in advance of the meeting. He highlighted the FERC's recent order on the Winter Operations. Mr. Gerity reported that there was a FERC order issued that day in the ISO's CSO Deferral Proposal filing in FERC Docket No. ER14-2440, in which the FERC accepted the filing without change or condition.

COMMITTEE REPORTS

Mr. Jose Rotger, Transmission Committee Vice-Chair, reported that at the September 23, 2014 Transmission Committee meeting the topic of Electric Transmission Upgrades will be on the agenda. Also, the Committee will consider action to comply with the FERC's order rejecting ISO's arguments that no compliance changes were needed in response to Order 784 and requiring the ISO to file changes within 30 days.

OTHER BUSINESS

Mr. Doot referred the Committee to the NEPOOL calendar for the remaining meetings for 2014. He reported that the next regularly scheduled meeting of the Participants Committee would be held October 3 at The Colonnade Hotel in Boston. The November 7 meeting with the Sector meetings with the ISO Board and New England state regulatory representatives followed by Participants Committee general business is scheduled to be held at the Hilton Logan Airport Hotel, and the Participants Committee Annual Meeting is scheduled on December 5 to be held at The Colonnade Hotel in Boston.

There being no further business, the meeting adjourned at 2:15 p.m.

Respectfully submitted,

David T. Doot, Secretary

**MEMBERS AND ALTERNATES PARTICIPATING IN
SEPTEMBER 12, 2014 PARTICIPANTS COMMITTEE MEETING**

PARTICIPANT NAME	SECTOR	MEMBER NAME	ALTERNATE NAME	PROXY
Ashburnham Municipal Light Plant	Publicly Owned		Gary Will (tel)	Brian Forshaw
Boylston Municipal Light Department	Publicly Owned		Gary Will (tel)	Brian Forshaw
BP Energy Company	Supplier			Nancy Chafetz
Braintree Electric Light Department	Publicly Owned		Dave Cavanaugh	
Brookfield Energy Marketing / Cross-Sound Cable	Supplier	Aleksandar Mitreski	Jose Rotger	
Calpine Energy Services, LP	Supplier		Brett Kruse	
Central Maine Power Company (CMP)	Transmission	Eric Stinneford (tel)		
Chicopee Municipal Lighting Plant	Publicly Owned		Gary Will (tel)	Brian Forshaw
Cianbro Companies	End User			William P. Short III
Concord Municipal Light Plant	Publicly Owned		Dave Cavanaugh	
Connecticut Municipal Electric Energy Coop.	Publicly Owned	Brian Forshaw		
Connecticut Office of Consumer Counsel (CT OCC)	End User		Joseph Rosenthal	
Conservation Law Foundation (CLF)	End User	Seth Kaplan		Jerry
Conservation Services Group (CSG)	AR			Doug Hurley
Consolidated Edison Energy, Inc.	Supplier	Jeff Dannels		
Danvers Electric Division	Publicly Owned		Dave Cavanaugh	
Dragon Products Company LLC	End User			William P. Short III
IIIDTE Energy Trading, Inc.	Supplier			Nancy Chafetz
Elektrisola, Inc.	End User			William P. Short III
Emera Maine, Inc.	Transmission	Jeff Jones (tel)	Stacy Dimou	
Energy America, LLC	Supplier			Nancy Chafetz
EnerNOC, Inc.	AR			Doug Hurley
EquiPower Resources Management, LLC	Generation	Jim Ginnetti (tel)		
Essential Power, LLC	Generation			
Exelon Generation Company	Supplier	Steve Kirk	William Fowler	
Fairchild Semiconductor Corporation	End User			William P. Short III
Galt Power, Inc.	Supplier	Nancy Chafetz		
GDF SUEZ Energy Marketing NA, Inc.	Generation	Thomas Kaslow		
Generation Group Member	Generation		Abby Krich	
Georgetown Municipal Light Plant	Publicly Owned		Dave Cavanaugh	
Groton Electric Light Department	Publicly Owned		Gary Will (tel)	Brian Forshaw
Groveland Electric Light Department	Publicly Owned		Dave Cavanaugh	
H.Q. Energy Services (U.S.) Inc.	Supplier	Louis Guilbault		Abby Krich
Harvard Dedicated Energy Limited	End User	Mary Smith		
High Liner Foods (USA) Incorporated	End User		William P. Short III	
Hingham Municipal Lighting Plant	Publicly Owned		Dave Cavanaugh	
Holden Municipal Light Department	Publicly Owned		Gary Will (tel)	Brian Forshaw
Holyoke Gas & Electric Department	Publicly Owned			Gary Will (tel)
Hudson Light and Power Department	Publicly Owned		Gary Will (tel)	Brian Forshaw
Hull Municipal Lighting Plant	Publicly Owned		Gary Will (tel)	Brian Forshaw
Industrial Energy Consumer Group	End User	Donald Sipe		
Ipswich Municipal Light Department	Publicly Owned		Gary Will (tel)	Brian Forshaw
Integrus Energy Services Inc.	Supplier			Nancy Chafetz
Littleton (MA) Electric Light & Water Department	Publicly Owned		Dave Cavanaugh	
Littleton (NH) Water & Light Department	Publicly Owned		Craig Kienny	
Long Island Lighting Company (LIPA)	Supplier	William Killgoar		
Maine Skiing, Inc.	End User	Donald Sipe		
Mansfield Municipal Electric Department	Publicly Owned		Gary Will (tel)	
Marblehead Municipal Light Department	Publicly Owned		Gary Will (tel)	
Marden's Inc.	End User			William P. Short III
Mass. Attorney General's Office	End User		Christina Belew	
Mass. Municipal Wholesale Electric Company (MMWEC)	Publicly Owned	Gary Will (tel)		Brian Forshaw
Merrimac Municipal Light Department	Publicly Owned		Dave Cavanaugh	

**MEMBERS AND ALTERNATES PARTICIPATING IN
SEPTEMBER 12, 2014 PARTICIPANTS COMMITTEE MEETING**

PARTICIPANT NAME	SECTOR	MEMBER NAME	ALTERNATE NAME	PROXY
Middleborough Gas and Electric Department	Publicly Owned		Gary Will (tel)	Brian Forshaw
Middleton Municipal Electric Department	Publicly Owned		Dave Cavanaugh	
Millennium Power Partners	Generation		Ken Dell Orto	
MoArk, LLC	End User			William P. Short III
New England Power Company (National Grid)	Transmission	Timothy Brennan	Tim Martin	
New Hampshire Electric Cooperative (NHEC)	Publicly Owned		Steve Kaminski (tel)	
New Hampshire Office of Consumer Advocate (NH OCA)	End User	Paul Peterson		
NextEra Energy Resources, LLC	Generation	Michelle Gardner		
NU / NSTAR	Transmission		Calvin Bowie	Joe Staszowski
PalletOne of Maine	End User			William P. Short III
Pascoag Utility District	Publicly Owned		Dave Cavanaugh	
Paxton Municipal Light Department	Publicly Owned		Gary Will (tel)	Brian Forshaw
Peabody Municipal Light Plant	Publicly Owned		Gary Will (tel)	Brian Forshaw
PowerOptions, Inc.	End User	Cynthia Arcate		
PPL EnergyPlus, LC	Supplier		Sharon Weber (tel)	
Princeton Municipal Light Department	Publicly Owned		Gary Will (tel)	Brian Forshaw
Provisional Group Member - Load Response Sub-Sector	AR	Brad Swalwell (tel)		
PSEG Energy Resources & Trade LLC	Supplier	Joel Gordon		
Rowley Municipal Lighting Plant	Publicly Owned		Dave Cavanaugh	
Russell Municipal Light Dept.	Publicly Owned		Gary Will (tel)	Brian Forshaw
Shipyards Brewing LLC	End User			William P. Short III
Shrewsbury Electric & Cable Operations	Publicly Owned		Gary Will (tel)	Brian Forshaw
Small Distributed Generation Group Member	AR	Doug Hurley		
Small Load Response Group Member	AR	Doug Hurley		
Small Renewable Generation Group Member	AR	Erik Abend (tel)		
South Hadley Electric Light Department	Publicly Owned		Gary Will (tel)	Brian Forshaw
St. Anselm College	End User			William P. Short III
Sterling Municipal Electric Light Department	Publicly Owned		Gary Will (tel)	Brian Forshaw
Stowe Electric Department	Publicly Owned		Dave Cavanaugh	
Taunton Municipal Light Department	Publicly Owned		Dave Cavanaugh	
Templeton Municipal Lighting Plant	Publicly Owned		Gary Will	
The Energy Consortium (TEC)	End User		Mary Smith	
TransCanada Power Marketing Ltd.	Generation		Mike Hachey	
Union of Concerned Scientists	End User		Francis Pullaro (tel)	
United Illuminating Company (UI)	Transmission	Christian Bilcheck	Alan Trotta	
Utility Services Inc.	End User			Paul Peterson
Vermont Electric Cooperative	Publicly Owned	Craig Kieny		
Vermont Electric Power Company, Inc. (VELCO)	Transmission	Frank Ettori		
Vermont Energy Investment Corporation	AR		Doug Hurley	
Vermont Public Power Supply Authority (VPPSA)	Publicly Owned	David Mullett		
Wakefield Municipal Gas and Light Department	Publicly Owned		Gary Will	
Wallingford DPU Electric Division	Publicly Owned	Dave Cavanaugh		
Wellesley Municipal Light Plant	Publicly Owned		Dave Cavanaugh	
West Boylston Municipal Lighting Plant	Publicly Owned		Gary Will (tel)	Brian Forshaw
Westerly Hospital, The	End User			William P. Short III
Westfield Gas & Electric Light Department	Publicly Owned		Gary Will (tel)	Brian Forshaw
Z-TECH LLC	End User			William P. Short III

