

FINAL

A meeting of the NEPOOL Participants Committee was held via teleconference beginning at 10:00 a.m. on Friday, February 6, 2015. 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 who participated in the teleconference meeting.

Mr. Joel Gordon, Chairman, presided and Mr. David Doot, Secretary, recorded. Mr. Gordon welcomed those on the teleconference, including members, alternates and guests, and reviewed appropriate protocol for the teleconference meeting.

APPROVAL OF MINUTES OF JANUARY 9, 2015

Mr. Gordon referred the Committee to the preliminary minutes of the January 9, 2015 meeting that were circulated and posted in advance of the meeting. Following motion duly made and seconded, the preliminary minutes of the January 9, 2015 meeting were unanimously approved without change.

CONSENT AGENDA

Mr. Gordon referred the Committee to the Consent Agenda that was circulated and posted in advance of the meeting. He indicated that there had been an administrative error identified and subsequently corrected on the Consent Agenda and that, absent objection, the Consent Agenda, as corrected, would be moved for approval. No objections were raised. Following motion duly made and seconded, the Consent Agenda, as corrected, was unanimously approved, with abstentions noted by GDF Suez, LIPA, Marble River, and NextEra. The GDF Suez representative explained that its abstention related to the fact that one provision that currently applied to generators (Section 13.6.2.1.1.2 (Real-Time Energy Market Participation)),

was not applied to Elective Transmission Upgrades (ETUs). He understood the basis for that result was the ISO's future intention to eliminate the application of that provision to generators. The GDF Suez representative explained further that he had sought assurance that the filing letter would identify a timeline for implementing those changes but that such assurances had not yet been received. Accordingly, GDF Suez abstained. The LIPA representative explained that, while LIPA supported the improvements to the ETU process, it abstained because there remained unresolved a number of issues raised during the stakeholder process, including the need for improving the deliverability access of exports.

ETU-RELATED ISO SELF-FUNDING TARIFF (TARIFF SECTION IV) SCHEDULE 1 CHANGES

Mr. Kenneth Dell Orto, Budget & Finance Subcommittee (Subcommittee) Chairman, referred the Committee to the materials circulated and posted in advance of the meeting regarding changes to Schedule 1 of Section IV.A of the ISO Tariff with respect to ETU Changes. He explained that the changes clarify that any deposits that become non-refundable under the new Schedule 25 of the OATT would be credited to Schedule 1 of Section IV.A of the ISO Tariff. He reported that the Subcommittee discussed the proposed changes during its January 22 teleconference meeting and no Subcommittee members objected to the proposed changes.

The following motion was duly made, seconded, and unanimously approved by the Committee:

RESOLVED, that the Participants Committee supports the changes to Schedule 1 to Section IV.A of the ISO New England Transmission, Markets, and Services Tariff (Scheduling, System Control and Dispatch Service), related to proposed Schedule 25 to the ISO New England Open Access Transmission Tariff, as circulated to the Committee and discussed at this meeting, together with such further non-substantive changes as the Chief Financial Officer of ISO New England and the Chairman of the Budget and Finance Subcommittee may approve.

REPORT OF THE ISO CHIEF EXECUTIVE OFFICER

Mr. Gordon referred the Committee to the summary of the January 15, 2015 ISO Board and Board Committee meetings, which had been circulated and posted in advance of the meeting and noted that Mr. Raymond Hepper, ISO Counsel, was available to answer questions or comments in the absence of Mr. Gordon van Welie. There were no questions or comments on that report.

REPORT OF THE ISO CHIEF OPERATING OFFICER

Dr. Vamsi Chadalavada, ISO Chief Operating Officer, reviewed highlights from the February COO report, which had been circulated and posted in advance of the meeting. Focusing on report highlights, which he noted reflected experiences through January 28 (except Daily Net Commitment Period Compensation (NCPC) through January 26), he stated that in January: (i) Energy Market value was \$804 million, up \$300 million from the prior month, but down \$1.4 billion from January 2014; (ii) natural gas prices were 51% higher than December 2014 average values; (iii) Real-Time Hub locational marginal prices (LMPs) on average were 47% higher than December 2014 LMPs; (iv) average daily (peak hour) Day-Ahead cleared physical Energy, as a percentage of forecasted load, was 100.2% in January 2015, up from 99.7% in December 2014; (v) daily NCPC for January 2015 (through January 26 which excluded the experiences of Winter Storm Juno) totaled \$8 million, down \$5.7 million from December 2014 and down \$65.3 million from January 2014; (vi) first contingency payments, totaling \$6.7 million, were \$6.2 million lower than December's; (vii) second contingency payments totaled \$558,000, up from \$146,000 in December; (viii) voltage support payments totaled \$687,000, down \$47,000 from December; and (ix) NCPC payments were 1% of the total Energy Market value.

Dr. Chadalavada explained, in response to inquiries, the factors that contributed to the increase in the Energy Market value from December 2014 and the substantial decrease from January 2014, including warmer weather, lower load levels (both peak and on average) and the injection of liquefied natural gas (LNG). He flagged the fact that a higher percentage of physical energy had cleared in the Day-Ahead Market, which almost always reduces the need for the supplemental resource commitment. He committed to provide a comprehensive report following the conclusion of the Winter Period, when more complete information would be available.

Dr. Chadalavada stated that the ISO continued to analyze NCPC payments, including the causes and reasons for the absence of supplemental commitments and the impacts of negative pricing and the design changes on NCPC. He indicated that the ISO would provide additional information following a few more months' operational experience with the new flexible bidding markets in place.

In follow up to inquiries received at the January Participants Committee meeting regarding negative pricing in December, Dr. Chadalavada announced that Mr. Dennis Robinson, ISO Manager, Hourly Market Operations, would provide a more detailed report at the February 10 Markets Committee meeting. He reported that there were 24 hours of negative pricing in January (down from 63 in December), 13 hours in Real-Time, almost all system wide, and 11 Day-Ahead hours, almost all attributed to local constraints. He characterized that trend as positive and indicative of the market getting more experienced with the revised Rules.

Questioning Dr. Chadalavada's reference to the fact that warmer weather was decreasing the Energy Market values, a member referenced a U.S. Energy Information Agency (EIA) report that temperatures in the Northeast during January 2015 were colder than in January 2014. Dr. Chadalavada responded that, at least with respect to the eight New England cities monitored by

the ISO, January 2015 was comparably warmer, without the extreme temperature swings and sustained day-after-day buildup of cold temperatures experienced during the January 2014 polar vortex. He noted also that peak loads had trended downward, not reaching the peaks experienced in January 2014. He cautioned that his summary was based on preliminary indications and would require further analysis before the key differences impacting Energy Market values could be fully explained.

In response to a request for the level of uplift and supplemental commitments on January 27, which followed the reporting period in his report, Dr. Chadalavada estimated that uplift that day totaled approximately \$1.2-1.3 million and that, with the exception of supplemental commitments to address the loss of a nuclear station in Southeastern Massachusetts (SEMA) and two 345 kV lines that day, January had been remarkably free of supplemental commitments. He reported that the ISO had begun to analyze the factors underlying current uplift levels and, with the benefit of additional months' data, would bring its observations through the Participants Processes for further consideration.

Turning next to the 2014/15 Winter Reliability Program, Dr. Chadalavada updated the Committee on the Dual-Fuel Commissioning Program, reporting the actual total dual-fuel NCPC commissioning costs incurred through January 28 were approximately \$1 million, with \$1.2 million of remaining exposure to the market for commissioning. As a follow up to previous questions regarding how payments might run to those units that failed to meet their dual-fuel commissioning date, he explained that those units able to prove their dual-fuel commissioning capability by December 2015 would be eligible for up to 20 hours of commissioning costs; and those proving their capability after December 2015 would be eligible for 10 hours of

commissioning costs, consistent with the program's two-year duration (expiring December 2016).

Regarding the Winter 2014/15 fuel burned, Dr. Chadalavada reported that approximately 300,000 barrels of oil were used in January 2015. LNG burn continued to be zero, reflecting the call option nature of the LNG contracts, which continued to be viable and available through the mid-March end of the Winter Program for those that had purchased them. He explained that those call options served largely as a backstop for periods of high demand when pipeline delivery would not otherwise be available.

Dr. Chadalavada then provided an update on Winter Storm Juno on January 27. He reported that overall the System performed very well, with the storm impact further east than forecasted and expected. Key events during the storm included the following: two 345kV lines tripped and remained out of service early Tuesday morning in SEMA; a nuclear generator tripped offline; and there were some minor generator reductions throughout the day.

From an operations standpoint, he stated the ISO's Load Forecasting Department would spend a bit more time studying the penetration of distributed generation and photovoltaic resources, which had increased the challenges of daily load forecasting, and would incorporate those lessons learned into forecasters' training in 2015.

Dr. Chadalavada concluded his report, highlighting results from the ninth Forward Capacity Auction (FCA9), reflected in the ISO's February 4 press release, including the following:

- \$9.55/kW-month to be paid to the majority of resources
- Over 1,400 MW of new capacity cleared; 1,060 MW of which was new generation; and 367 MW of new demand-side resources
- 34,695 MW of capacity resources cleared in the auction, compared to 2018/19 installed capacity requirement (ICR) of 34,189 MW

- \$17.73/kW-month inadequate supply administrative price for new resources in SEMA/RI
- \$11.08/kW-month for existing resources in SEMA/RI
- \$7.97/kW-month New York imports
- \$3.94/kW-month New Brunswick imports

In response to a request for the percentage of demand resources that was active load curtailment versus passive energy efficiency program, Dr. Chadalavada stated that he thought the majority of the 367 MW was passive, but was not certain and would provide that member with the requested detail following the meeting. Other members asked the ISO to share, sooner rather than later, how the rest-of-system clearing price was calculated. Dr. Chadalavada did not believe there was sufficient time to have an effective discussion before or as part of the results filing at the end of the month, but would explain generically as soon as it could how the auction optimization worked, with examples for illustration.

2015 WORK PLAN

Mr. Gordon referred the Committee to the 2015 Work Plan that was circulated and posted in advance of the meeting. He explained that Dr. Chadalavada would introduce the Work Plan at a high level at this meeting, and Participants would be afforded an opportunity for more in depth discussion of the Plan at the March in-person meeting. He suggested also that the Plan could be viewed in part as a broader 1.5 to 2-year plan. He encouraged Participants to think through the policy implications of the tasks to be performed in 2015 and the correlation to efforts already being slated for 2016, some of which were identified in the 2015 Work Plan, but more of which would crystalize as the efforts to develop and evaluate a 2016 budget intensified in mid-2015.

Dr. Chadalavada began by noting that the Work Plan reflected preliminary input from the Sector Officers and would reflect, as appropriate, further Participant input received at this and the March meeting before being finalized. He indicated that, following an intense period of

reforms to the rules governing the Forward Capacity Market, Energy price formation, Ancillary Services, Order 1000 implementation, and improvements to interconnection processes, 2015 was expected to continue to be largely driven by implementation efforts. He reported the highest priority projects to be implemented in 2015 included Coordinated Transaction Scheduling (CTS), the Generator Control Application (GCA), zonal curves and other FCA-10 enhancements, the LMP calculator replacement, and cyber security-related projects.

Turning to slides illustrating relative resource allocation across activities in the Work Plan, Dr. Chadalavada noted that, in 2015, roughly one-quarter of the resources allocated to capital projects would be devoted to the GCA and CTS projects, with GCA implementation an important prerequisite to CTS. He also highlighted plans to implement a 24x7 security operations center to address cyber threats. Key markets-related activities would include a focus on price formation and continued FCM reforms (which, while substantial, were not expected to be as extensive as those undertaken in 2014 to address performance incentives and demand curves). Referring to a December white paper on price formation, which he suggested also previewed efforts to be undertaken in 2015, Dr. Chadalavada highlighted plans to address fast start pricing, ramp pricing, and full co-optimization of energy and reserves in the Day-Ahead Energy Market. Key planning activities would concentrate on transmission planning, generator interconnections, ETUs, and Order 1000 implementation. He concluded his overview by highlighting plans to monitor and evaluate emerging (and increasingly constraining) NERC/NPCC trends, as well to discuss contingency plans to address potential impacts of Supreme Court action on the *EPSA v. FERC* matter.

In response to member requests and questions, Dr. Chadalavada committed to explore ways to provide a more direct linkage between the Work Plan and the Wholesale Market Plan,

and additional information about each project's lifecycle, including the analysis and design phases, and how resources are allocated to various projects. He agreed to consider with Participants whether, and how, the development and release of the Work Plan could be accelerated, particularly to support budget development, review and consideration. Dr. Chadalavada also agreed to explore how to provide a better sense of the proposed schedule for addressing transmission planning process and technical guides in 2015.

Mr. Gordon encouraged all members with specific questions or requests to get those to Dr. Chadalavada or their Sector Officers in advance of the March meeting to facilitate the more detailed discussion of the Work Plan that would take place at that meeting.

LITIGATION REPORT

Mr. Doot referred the Committee to the February 5 Litigation Report that had been circulated and posted in advance of the meeting. He highlighted FCM-related orders issued in response to two separate complaints and a number of pending requests for rehearing. He explained that the orders largely sustained the operative or proposed FCM arrangements, with one clarification, of the May 30, 2014 Demand Curve order, requiring a compliance filing on or before March 2, 2015 to clarify that a resource may not utilize both the renewable resource exemption and the new resource price lock-in. Mr. Doot reported that the ISO had proposed language in response to the FERC's directive that was to be considered at the February 10-11 Markets Committee meeting. Absent an extension of time from the FERC (which the ISO was not inclined to request), however, the compliance filing would be submitted before the next regularly-scheduled Participants Committee meeting. With the expectation that the compliance filing would not be controversial, and absent direction to the contrary, Mr. Doot explained that the plan was to allow for Participants Committee consideration and action on the compliance

changes at its March 6 meeting and to summarize those efforts in comments submitted to FERC in response to the compliance filing. He encouraged anyone with concerns on that plan to promptly advise their Sector Officer and/or NEPOOL Counsel.

COMMITTEE REPORTS

The Vice-Chairs of each of the Technical Committees reported on the schedule for Committee meetings in February (see NEPOOL calendar). Mr. Dell Orto reported that the next Budget & Finance Subcommittee meeting was scheduled for February 12 to review the ISO's Capital Funding Tariff filing, NEPOOL year-end results, the ISO's debt financing activity in 2015, and an overview of GIS cost allocation practices. He encouraged those with an interest in those issues to participate in the meeting.

Mr. Gerity reported that the next Membership Subcommittee meeting, scheduled for February 18, would include a discussion of how to address the Sector selection/eligibility of applicant SRECTrade, Inc., a solar renewable energy credit (SREC) aggregator that facilitates NEPOOL GIS transactions and provides management services to more than 60 MW of solar capacity, particularly in Massachusetts. He explained that SRECTrade did not qualify currently for membership in any of the six Sectors. He indicated that information on that meeting would be provided to the Participants Committee, and urged all those interested to participate. He noted that a report and/or recommendation on how to address the issues raised by the SRECTrade application would be brought to the Participants Committee at a subsequent meeting.

OTHER BUSINESS

Mr. Doot reported that the next Participants Committee meeting was scheduled for March 6, 2015, at The Colonnade Hotel, with the discounted room block open for reservations until March 2.

There being no further business, the meeting adjourned at 11:12 a.m.

Respectfully submitted,

David T. Doot, Secretary

**MEMBERS AND ALTERNATES PARTICIPATING IN
FEBRUARY 6, 2015 PARTICIPANTS COMMITTEE TELECONFERENCE MEETING**

PARTICIPANT NAME	SECTOR/GROUP	MEMBER NAME	ALTERNATE NAME	PROXY
American PowerNet Management	Supplier			Mary H. Smith
Ashburnham Municipal Light Plant	Publicly Owned		Gary Will	
Boylston Municipal Light Department	Publicly Owned		Gary Will	
BP Energy Company	Supplier			Nancy Chafetz
Brookfield Energy Marketing/Cross-Sound Cable	Supplier	Aleksandar Mitreski		
Calpine Energy Services, LP	Supplier	John Flumerfelt	Brett Kruse	
Central Maine Power Company	Transmission	Eric Stinneford		
Chicopee Municipal Lighting Plant	Publicly Owned		Gary Will	
Citigroup Energy Inc.	Supplier	Barry Trayers		
Conn. Municipal Electric Energy Cooperative	Publicly Owned	Brian Forshaw		
Conservation Services Group	AR			Doug Hurley
Consolidated Edison Energy, Inc.	Supplier	Jeff Dannels		
Cross Sound Cable	Supplier	Jose Rotger		
DTE Energy Trading, Inc.	Supplier			Nancy Chafetz
Dynergy Marketing and Trade	Supplier			William Fowler
Emera Maine	Transmission		Stacy Dimou	
Energy America, LLC	Supplier			Nancy Chafetz
EnerNOC, Inc.	AR	Herb Healy		
Enerwise Global Technologies Inc. d/b/a CPower	AR	Craig Markham		
Entergy Nuclear Power Marketing LLC	Generation		Ken Dell Orto	William Fowler
EquiPower Resources Management, LLC	Generation		William Fowler	
Essential Power, LLC	Generation		William Fowler	
Eversource Energy	Transmission	James Daly		Joe Staszowski
Exelon Generation Company	Supplier	Steve Kirk	William Fowler	
Galt Power, Inc.	Supplier	Nancy Chafetz		
GDF SUEZ Energy Marketing NA, Inc.	Generation	Thomas Kaslow		
Generation Group Member	Generation		Abby Krich	
Granite Ridge Energy, LLC	Supplier		William Fowler	
Groton Electric Light Department	Publicly Owned		Gary Will	
H.Q. Energy Services (U.S.) Inc.	Supplier	Louis Guilbault	Robert Stein	
Harvard Dedicated Energy Ltd	End User	Mary H. Smith		
High Liner Foods (USA)	End User		William P. Short III	
Holden Municipal Light Department	Publicly Owned		Gary Will	
Holyoke Gas & Electric Department	Publicly Owned			Gary Will
Hull Municipal Lighting Plant	Publicly Owned		Gary Will	
Industrial Energy Consumer Group	End User	Donald J. Sipe		
Ipswich Municipal Light Department	Publicly Owned		Gary Will	
Littleton (NH) Water & Light Department	Publicly Owned		Craig Kieny	
Long Island Lighting Company (LIPA)	Supplier	William Killgoar		
Maine Skiing, Inc.	End User	Donald J. Sipe		
Mansfield Municipal Electric Department	Publicly Owned		Gary Will	
Marblehead Municipal Light Department	Publicly Owned		Gary Will	
Marble River, LLC	Supplier			Steve Garwood
Massachusetts Attorney General's Office	End User	Fred Plett	Christina Belew	
Mass. Municipal Wholesale Electric Company	Publicly Owned	Gary Will		
Middleborough Gas and Electric Department	Publicly Owned		Gary Will	
National Grid	Transmission	Tim Brennan	Tim Martin	
New Hampshire Electric Cooperative, Inc.	Publicly Owned	Steve Kaminski		
New Hampshire Office of Consumer Advocate	End User		Sarah Jackson	

**MEMBERS AND ALTERNATES PARTICIPATING IN
 FEBRUARY 6, 2015 PARTICIPANTS COMMITTEE TELECONFERENCE MEETING**

PARTICIPANT NAME	SECTOR/GROUP	MEMBER NAME	ALTERNATE NAME	PROXY
NextEra Energy Resources, LLC	Generation	Michelle Gardner		
Noble Americas Gas & Power Corp.	Supplier		Becky Merola	
NRG Power Marketing, Inc.	Generation	Dave Cavanaugh		
Paxton Municipal Light Department	Publicly Owned		Gary Will	
Peabody Municipal Light Plant	Publicly Owned		Gary Will	
PowerOptions, Inc.	End User	Cindy Arcate		
Princeton Municipal Light Department	Publicly Owned		Gary Will	
PSEG Energy Resources & Trade LLC	Supplier	Joel Gordon		
Repsol Energy North America	Supplier	Sam Moreton	Nancy Chafetz	
Russell Municipal Light Dept	Publicly Owned		Gary Will	
Shrewsbury Electric & Cable Operations	Publicly Owned		Gary Will	
Small LR Group Member	AR	Doug Hurley		
Small RG Group Member	AR	Erik Abend		
South Hadley Electric Light Department	Publicly Owned		Gary Will	
Sterling Municipal Electric Light Department	Publicly Owned		Gary Will	
SunEdison (First Wind Energy Marketing)	AR	John Keene		Robert Stein
Tangent Energy Solutions, Inc.	Provisional Group	Brad Swalwell		
Templeton Municipal Lighting Plant	Publicly Owned		Gary Will	
The Energy Consortium	End User		Mary Smith	
TransCanada Power Marketing Ltd.	Generation		Mike Hachey	
United Illuminating Company	Transmission		Alan Trotta	
Vermont Electric Cooperative	Publicly Owned	Craig Kienny		
Vermont Electric Power Company, Inc.	Transmission	Marc Sciarotta		
Vermont Energy Investment Corporation	AR		Doug Hurley	
Vermont Public Power Supply Authority	Publicly Owned	David Mullett		
Vitol Inc.	Supplier	Joseph Wadsworth		
Wakefield Municipal Gas and Light Department	Publicly Owned		Gary Will	
West Boylston Municipal Lighting Plant	Publicly Owned		Gary Will	
Westfield Gas & Electric Department	Publicly Owned		Gary Will	