

FINAL

A meeting of the NEPOOL Participants Committee was held beginning at 10:00 a.m. on Friday, October 3, 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.

CONSENT AGENDA

Mr. Gordon referred the Committee to the Consent Agenda circulated in advance of the meeting. A motion was duly made and seconded, to approve the Consent Agenda, with Item No. 3.b (support for the megawatt values that represent the New England Installed Capacity Requirement (ICR), the capacity requirement values for the System-Wide Capacity Demand Curve (Demand Curve) and the Connecticut, NEMA/BOSTON and SEMA/RI Local Sourcing Requirements (LSR) for the ninth Forward Capacity Auction (FCA9)) removed for discussion later in the meeting. That motion was approved with opposition noted by Cross-Sound Cable (CSC) and the Long Island Lighting Company (LIPA) to Consent Agenda Item No. 3.a (HQICC Values for FCA9 (2018/19 Capability Period)). Representatives of both members noted their long-standing and previously voiced opposition to what they perceived to be a lack of recognition of the reliability benefits of the Cross-Sound Cable, both in the determination of the HQICC values, as well as a vehicle to provide emergency assistance from New York, as it did in the one FCM Shortage Event experienced on December 14, 2013.

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. In response to a question, Mr. van Welie explained that the Board had been advised, as the Participants Committee had been at its last meeting, that the States had paused in their collective consideration of the Governors' Infrastructure Initiative. Also in response to a follow-up question, Mr. Gordon added that consideration was underway as to the means for interested Participants to discuss and consider regional pipeline developments such as the NU/Spectra announcement, perhaps at one of the regional pipeline forums or through a NEPOOL committee.

Mr. van Welie announced that the ISO's 2014 customer satisfaction survey would launch on-line on October 21. Continuing a format adopted in 2013, the survey would be conducted electronically rather than by phone. He encouraged all to participate and provide feedback.

REPORT OF THE ISO CHIEF OPERATING OFFICER

Dr. Vamsi Chadalavada, ISO Chief Operating Officer (COO), referred the Committee to the October COO report addressing September operations (through September 24, 2014), which was circulated in advance of the meeting and posted on the NEPOOL and ISO websites.

Focusing on highlights, he stated that, in September: (i) natural gas average prices were 20.7% higher than August 2014 average prices; (ii) Real-Time Hub locational marginal prices (LMPs) on average were 15.4% higher than August LMPs; (iii) average daily (peak hour) Day-Ahead cleared physical Energy, as a percent of forecasted load, was 97.8% in September, versus 98.6% in August (continued a positive trend); (iv) daily NCPC for September totaled \$5.4 million, unchanged from August NCPC; (v) first contingency payments, totaling \$2.3 million, were

\$731,000 higher than August's; (vi) second contingency payments totaled \$3.1 million, which was slightly higher than the \$2.9 million in August; (vii) voltage support payments totaled just \$1,000; and (viii) NCPC payments as percent of Energy Market value were 1.6%.

Turning to system operations, Dr. Chadalavada highlighted that the 2014 Regional System Plan was sent to the ISO Board for approval at its October meeting. He then reviewed a series of events surrounding a capacity deficiency experienced on September 28. He said that various generation restrictions and the loss of a large generator caused a shortage of Thirty-Minute Operating Reserves during the peak hour. Energy prices ranged between \$543 to \$700 between 19:00 and 19:35, and M/LCC2, Abnormal Conditions Alert and Operating Procedure No. 4 were implemented.

Dr. Chadalavada then reported that the Interstate Reliability Project would have a large impact on West-East flows during outages for that work, with most of those outages scheduled for 2015 Q3 and Q4. He said the ISO didn't expect prolonged or numerous out-of-merit commitments, but some such commitments in Eastern New England and Southeastern Massachusetts/Rhode Island would be necessary.

With respect to the Winter 2014/15 Reliability Program, Dr. Chadalavada noted that, as of October 1, 2014, 69 units had indicated an intent to provide at least 4.06 million barrels in the Oil Program, 8 units had submitted intent to provide at least 1.5 BCF in the LNG Program, 3 assets had submitted intent to provide at least 14 MWs of Demand Relief in the Demand Response Program, and an additional 3 units intended to be ready with dual-fuel capability. He indicated this participation was higher than in the 2013/14 program. He reminded members that these numbers were preliminary and could increase by December 1, which was the date that the Winter 2014/15 Reliability Program participation numbers would be verified.

Dr. Chadalavada went on to report that the ISO would file on October 9 the schedule for considering future winter reliability programs (as required by the FERC's September 9 order accepting the Winter 2014/15 Reliability Program). Under that schedule, the ISO would be discussing alternative proposals for future winter programs at the monthly, regularly-scheduled Markets Committee meetings beginning in November through March, with a Markets Committee vote planned for March 2015, and a Participants Committee vote in April 2015. He said there would be consideration of both an out-of-market program similar to the Winter 2014/15 Program and a potential in-market solution (which would require a longer lead time to implement if adopted). In response to questions, Dr. Chadalavada clarified that the ISO viewed its pay-for-performance and Demand Curve mechanisms to be implemented for the FCA9 Commitment Period to be the long-term solution. He acknowledged the FERC's preference for a market-based solution during the next three winters prior to the FCA9 Commitment Period and Mr. van Welie clarified that both in- and out-of-market solutions would be considered for that period.

Dr. Chadalavada reported that the ISO was in the final stages of testing the Energy Market Offer Flexibility provisions that are to be implemented on December 3. Operator training is underway and Participants have been active in the sandbox. ISO Customer Service had reached out to the Participants that had yet to participate in the sandbox. He invited those interested to participate in ISO weekly project readiness calls, which included staff to address both information technology and business function questions.

Acknowledging the court action related to the Demand Response changes under Order 745, Dr. Chadalavada referred to the Market Rule changes to be considered later in the meeting to enable Demand Response Resources to participate in the Forward Reserve Market and to provide Real-Time Operating Reserves for the price-responsive demand full integration period.

He explained that, given the FCA timelines, the ISO planned to file those Market Rules so that the FERC, if so inclined, could act on them. Recognizing that Court actions could require future changes to the demand response provisions that were planned now for June 1, 2017 implementation, the ISO would revisit early in 2015 whether proceeding with implementing those changes in light of the court proceedings was prudent. He added that, until the federal court proceedings on Order 745 were resolved, the ISO would postpone devoting substantial development resources to projects that would be directly impacted by a mandate to vacate that Order.

Members then discussed their views as to how the region should best proceed given uncertainties presented by the Order 745 proceedings. Some asked the ISO to consider and plan for minimizing the risks associated with the potential unwinding of capacity obligations should the court orders require such an outcome. Members debated whether it was wise to proceed to consider new rules, such as those to be discussed later in the meeting, under the circumstances. AR representatives urged that those rules be considered and approved so at least demand response providers could understand how demand response would be treated under Order 745 if those requirements were to proceed. Members acknowledged that these demand response rules, and potentially the results of FCA9, may need to be revisited based on final court and FERC action.

At the request of the Chairman, Mr. Doot summarized the status and potential impacts of the pending Order 745-related federal court proceedings. He said that NEPOOL Counsel would meet with ISO counsel and counsel for the States to identify options and possible outcomes under the multiple potential paths, and to provide Participants with an opportunity for discussion on those options and outcomes.

2015 ISO-NE OPERATING AND CAPITAL BUDGETS

Mr. Peter Fuller, Budget & Finance Subcommittee Chairman, referred the Committee to materials circulated and posted in advance of the meeting regarding the 2015 ISO New England Budgets. He explained that the 2015 ISO Budgets were prepared and reviewed in accordance with the process required by the Participants Agreement and the FERC-approved settlement agreement in the 2013 budget proceedings. He reported that the ISO presented preliminary budgets in June at both the New England Conference of Public Utilities Commissioners (NECPUC) Symposium and the Participants Committee Summer Meeting. The ISO revised those budgets based on the feedback received at and after those meetings and presented revised ISO Budgets at the August 27 Subcommittee meeting. The ISO then presented its proposed 2015 ISO Budgets to the New England state agencies and attorneys general on August 28. Two weeks later, at the September 12 Participants Committee meeting, the ISO also provided an overview of the revised 2015 ISO Budgets. He said that further questions were received by the ISO following the September 12 meeting, and the ISO's responses to those questions to date were included with the materials for this meeting.

Mr. Robert Ludlow, ISO Chief Financial & Compliance Officer, summarized the reasons for changes to the 2015 Operating Budget and Capital Budgets since the September presentation. He said the ISO Board would consider Participant and State comments and would vote on the 2015 Budgets at its meeting later in the month.

The following motion was then duly made and seconded:

RESOLVED, that the Participants Committee supports the Year 2015 operating budget and capital budget proposed by the ISO, as presented at this meeting.

A representative of the Connecticut Public Utilities Regulatory Authority (CT PURA), supported by the Maine and New Hampshire consumer advocates, summarized comments on the

budget and budget process that had been outlined in a letter to the ISO that was included with the meeting materials.

Following further discussion, the Committee voted unanimously to support the 2015 ISO Budgets, with abstentions noted by the Massachusetts Municipal Wholesale Electric Company (MMWEC) and each of the Publicly Owned Entities that it represented, Littleton (NH) Water & Light Department, Vermont Electric Cooperative (VEC), and Vermont Public Power Supply Authority (VPPSA).

2015 NESCOE BUDGET

Mr. Fuller then referred the Committee to the materials circulated in advance of the meeting regarding the proposed 2015 budget for the New England States Committee on Electricity (NESCOE). He reported that the Subcommittee members at its August 27 meeting all indicated support for the 2015 NESCOE budget. He noted that the NESCOE budget was consistent with the five-year *pro forma* projections supported by the Participants Committee in March 2012 and filed with and accepted by the FERC, and that the full, budgeted amount had already been received from Market Participants as a result of over-collections for NESCOE expenses in prior years. Accordingly, there would be no further collections in 2015 to fund the NESCOE budget.

Without further discussion, the following motion was duly made, seconded and voted, and passed unanimously with abstentions noted by CSC, MMWEC and each of the Publicly Owned Entities that it represented:

RESOLVED, that the Participants Committee supports the 2015 NESCOE budget, as proposed by NESCOE at this meeting, as the Year 2015 operating budget for NESCOE.

ORDER 784 COMPLIANCE FILING CHANGES

Mr. Donald Gates, as Chair and on behalf of the Transmission Committee, referred the Committee to and summarized the materials circulated and posted in advance of the meeting related to revisions to Schedule 3 of Section II of the ISO Tariff to respond to the FERC's September 9 order rejecting the ISO's December 27, 2013 Order 784 compliance filing. He reported that the Schedule 3 revisions had been unanimously recommended for Participants Committee support by the Transmission Committee at its September 23, 2014 meeting, and would have been on the Consent Agenda but for the timing of the Transmission Committee action.

The following motion was then duly made, seconded, and unanimously approved:

RESOLVED, that the Participants Committee supports the proposed revisions to Schedule 3 of Section II of the ISO Tariff as recommended by the Transmission Committee and as reflected in the materials distributed to the Participants Committee for its October 3, 2014 meeting, together with such non-substantive changes as may be agreed to after the meeting by the Chair and Vice- Chair of the Transmission Committee.

FCA9 ICR VALUES

Mr. Gordon introduced this item and noted that it had been on the Consent Agenda but later removed at the request of Vermont Electric Power Company (VELCO). Mr. Gates reported on the vote at the Reliability Committee, which recommended Participants Committee support for the ICR Values.

The following motion was duly moved and seconded:

RESOLVED, that the Participants Committee supports the ISO's proposed ICR Values (New England Installed Capacity Requirement, system-wide capacity demand curve values and local sourcing requirements) for the Forward Capacity Auction for the 2018/2019 Capacity Commitment Period, as recommended by the Reliability Committee and as reflected in

the materials distributed to the Participants Committee for its October 3, 2014 meeting, together with such non-substantive changes as may be agreed to after the meeting by the Chair and Vice-Chair of the Reliability Committee.

The Chairman then requested that VPPSA and VELCO, who had removed this item from the Consent Agenda, explain their concerns. Representatives of those companies explained their view that the ICR Values did not sufficiently account for the substantial distributed generation in the region, much of which had been developed pursuant to New England state policies and programs. VPPSA summarized the points reflected in its letter distributed to the Participants Committee prior to the meeting. A number of members expressed agreement with the concerns raised, which they said were magnified when the consumer impacts were identified. Others shared these concerns as well but, because they did not know if the issue could be addressed in time for FCA9, they indicated they would abstain on the vote.

Mr. van Welie interjected that the effects of distributed generation were complicated and that the ISO and NEPOOL would need to determine how best to account for distributed generation from a price formation and operational standpoint. He reminded members that there was a Distributed Generation Working Group that was trying to address these complex issues. A NESCOE representative then read a prepared statement (which has since been posted on the NESCOE and NEPOOL websites) objecting to the ICR Values because they did not adequately account for distributed generation and failed to take into account a likely higher generator availability due to implementation of FCM Pay-for-Performance.

In response to the presentation and observations, concern was raised with relying on the Distributed Generation Working Group to consider this matter since it was non-voting and functioned effectively outside the NEPOOL process. Other members expressed agreement with the ISO position that this is a very complex issue that requires more in-depth consideration.

Raising a different concern with ICR values, the representative of both CSC and LIPA stated their continuing objection to the ICR calculation in that it does not recognize any tie benefit value for the Cross-Sound Cable. Both thought this objection was particularly appropriate given that, in this past year, the Cross-Sound Cable provided reliability benefits to New England during a Shortage Event.

The Committee then voted and failed to support the ICR Values with a 38.61% Vote in favor (Generation – 17.17%; Transmission – 0%; Supplier – 15.60%; Alternative Resources – 4.28%; Publicly Owned Entity – 0%; and End User – 1.56%). (See Vote 1 on Attachment 2).

PEAK ENERGY RENT (PER) REVISIONS

Ms. Allison DiGrande, Markets Committee Chair, referred the Committee to the materials circulated and posted in advance of the meeting regarding ISO-proposed modifications to the Peak Energy Rent (PER) mechanism in the Forward Capacity Market (FCM) (the PER Revisions). She reminded members that the FERC required in its order in the performance incentives (PI) jump ball proceeding, and the ISO subsequently filed, increases to the Reserve Constraint Penalty Factors (RCPF) values to become effective in December. Since that time, the Markets Committee discussed potential equity issues that could arise as a result of the interaction between the current PER mechanism and the higher RCPF values. Following those Markets Committee discussions, the ISO proposed Market Rule changes that would raise the daily PER adjustment strike price by \$250 once the higher RCPF values became effective and through implementation of the ISO's PI revisions with the Commitment Period associated with FCA 9. The impact of a higher strike price would be a potential reduction in the revenue transfers that are required by the current PER mechanism. Ms. DiGrande also summarized one amendment to the ISO's proposed PER Revisions offered by GDF SUEZ and considered by the Markets

Committee. She reported that, at its September 3-4 meeting, the Markets Committee failed to recommend Participants Committee support for that amendment (with a 31.15% Vote in favor). The ISO's unamended proposal also failed to garner the requisite support needed for a Markets Committee recommendation with a 57.75% Vote in favor.

The following main motion was then duly made and seconded:

RESOLVED, that the Participants Committee supports revisions to Market Rule 1 to increase the daily Peak Energy Rent strike price by \$250 (the PER Revisions), as proposed by ISO and as circulated 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.

Members and guests then commented and asked clarifying questions related to the ISO's proposal to modify the PER mechanism. The NESCOE representative explained that the States collectively opposed the ISO's proposed PER Revisions and that, when NEPOOL voted in December 2013 to support increased RCPF values, it did not support any modification to the PER mechanism. He went on to explain that the conscious decision not to adjust PER created a reasonable expectation that the current PER adjustment would continue to be in place for Capacity Commitment Periods 5 through 8. Additionally, the NESCOE representative stated that it was unclear whether suppliers' bidding or auction prices would have been any different with a higher PER strike price. Finally, he remarked that the States collectively opposed the proposed PER Revisions because the resulting wealth transfer from load to generators would provide no perceptible reliability benefit. A number of members expressed support for the positions expressed by the NESCOE representative. One member, referring to the FERC order approving FCM PI and the increases to the RCPF values, commented that FCM PI would improve reliability once it was implemented for FCA9 and higher RCPF values would provide

greater incentives to perform in the marketplace. He opined that the proposed changes to PER would mute those performance incentives.

Other members disagreed with the argument that there was a deliberate decision not to modify PER. They reminded members that the NEPOOL alternative, which included the increase in RCPF values, came together late in the stakeholder process and there was not time to fully consider adjustments to the PER mechanism. They thanked the ISO for seeking to bring some equity to the situation where those with Capacity Supply Obligations (CSOs) could not have anticipated higher RCPF values and their relation to the PER mechanism. They argued that the PER mechanism currently did not work very well and increased RCPFs only exacerbate the mechanism's inefficiencies.

Also supporting the ISO Proposal, a representative referred to the recent FERC order on the FCM PI compliance filing, where FERC acknowledged in footnote 39 that there were inefficiencies created by the PER mechanism that were properly considered in the ongoing stakeholder process exploring the PER mechanism in light of higher RCPF values. This representative urged the ISO to file the PER Revisions regardless of the outcome of the Participants Committee vote. Another representative argued that the PER mechanism was not necessary to begin with, and that as designed it was a problem because it is based on Real-Time pricing when many in the marketplace work off Day-Ahead prices. However, he urged members, at a minimum, to support the ISO's proposal because it would avoid further distortion from the status quo and reflected a workable approach until the future role of the PER mechanism, beginning with the implementation of FCM PI, could be determined. Another supporter argued that adjustments to the PER mechanism would help to preserve settled expectations, explaining that offers for the current Capacity Commitment Period were submitted

four years earlier and amounts to meet the related CSOs had already been budgeted and spent/used for capital improvements, etc. Continuing, this member argued that the situation presented could not have been reasonably foreseen or anticipated at the time and that previously cleared and relied-upon capacity payments could potentially be reduced by as much as 10% if the PER mechanism is not adjusted to reflect the higher RCPF values.

The Committee then considered the following amendments to the main motion.

GDF SUEZ Amendment 1

A motion to amend the main motion was duly made and seconded, so as to revise ISO-proposed Section III.13.7.1.2 of Market Rule 1 to modify how the PER adjustment would be calculated, as described in the materials from GDF SUEZ circulated and posted in advance of this meeting (GDF SUEZ Amendment 1). The GDF SUEZ representative explained that the amendment would modify how the PER deduction was made, calculating the deduction instead on a resource-specific basis based on the market revenues that the resource received. He provided some explanation as to how the amendment would work. He clarified that the proposed changes were in addition to the ISO's proposal to increase the strike price by \$250, and referred members to materials circulated prior to the meeting for further details.

Following further discussion and clarifications, GDF SUEZ Amendment 1 was then voted by show of hands and was determined to have failed.

GDF SUEZ Amendment 2

A motion was then duly made and seconded to amend the main motion so as to eliminate the PER mechanism under FCM PI beginning June 1, 2018 (GDF SUEZ Amendment 2). The GDF SUEZ representative explained that the amendment had been offered during NEPOOL's consideration of FCM PI in 2013. However, because the Participants Committee amended the ISO's FCM PI proposal with an alternative proposal, the Committee had not cast a vote on the

elimination of PER under FCM PI. For that reason, GDF SUEZ sought a vote of the Committee to complete the NEPOOL process with respect to this proposal.

A member opposing the motion to amend argued that it ignored the effect of PER as a hedge for load. Continuing, he argued that even if it may no longer be needed as a tool to mitigate market manipulation under FCM PI, PER remains a valuable hedge for load under the FCM PI construct.

In response, and with reference to materials posted for this meeting, the GDF SUEZ representative countered that PER was not an efficient hedge for load under PI because the mechanism did not match in any way the price exposure of the load-serving entities that ultimately would face the energy charges to serve their load; much of their load would be based on Day-Ahead prices that would not be reflected, resulting in overpayment for an unneeded hedge.

There being no further comments or questions, GDF SUEZ Amendment 2 was then voted by show of hands and was determined to have failed.

Vote on Unamended Main Motion

Without further discussion, the unamended main motion was then voted and failed to pass with a 47.14%¹ Vote in favor (Generation – 17.17%; Transmission – 3.43%; Supplier – 10.3%;¹ Alternative Resources – 11.95%; Publicly Owned Entity – 0%; and End User – 4.29%). (See Vote 2 on Attachment 2).

In response to questions, Mr. Mark Karl, ISO's Vice President of Market Development, said that, while it was unlikely the ISO would file its proposal with the FERC since NEPOOL

¹ The representative for BP, Energy America, Galt, Integrys, and South Jersey indicated at the meeting that the votes for those Participants should have been registered as Opposed, rather than as Abstentions. Accordingly, the Supplier Sector share in favor was 10.3% and the NEPOOL vote 47.14% in favor (rather than 15.45% and 52.29%, respectively, as announced immediately following the vote).

did not support it, ISO would take additional time to consider more fully the input received and would advise NEPOOL of its plans thereafter. Were it to file the changes, and given the timing and nature of the issues involved, Mr. Raymond Hepper, ISO General Counsel, indicated that implementation of the changes could not occur at the same time as the implementation of the increased RCPF values.

DEMAND RESPONSE RESOURCE PARTICIPATION IN THE RESERVE MARKETS

Ms. DiGrande referred the Committee to the materials circulated and posted in advance of the meeting regarding ISO-proposed Market Rule changes to enable Demand Response Resources to participate in the Forward Reserve Market and to provide Real-Time Operating Reserves for the price-responsive demand full integration period that is currently scheduled to begin on June 1, 2017. She explained that the Markets Committee voted to recommend Participants Committee support for an earlier version of these Demand Response rule changes, with one opposition from a Generation Sector member and several abstentions noted. However, since that recommendation by the Markets Committee, and after further review, the ISO was proposing minor corrections to those changes. Those corrections were described by the ISO in its September 26 memorandum and highlighted in green in revised Tariff sheets, both of which were included with materials circulated for the meeting. Mr. Gordon explained that, absent objection, the corrections would be included in the motion to support the Markets Committee recommended changes.

Turning to the form of resolution that was circulated to the Committee in advance of the meeting, Mr. Doot first explained that the resolution would be corrected to reflect that changes permitted Demand Resources to provide both “Real-Time Operating Reserves and Forward Reserves,” not just Real-Time Operating Reserves as reflected in the meeting materials.

Further, he referred members to the understandings that (1) a member voting in favor of the proposed DR changes would not be taking position on whether that member agrees or disagrees with *Order 745*, but only that the member agrees that these DR changes are appropriate only if *Order 745* were to be deemed lawful and implemented, and (2) institutionally, NEPOOL is only voting on whether or not these DR changes are appropriate if *Order 745* is found to be lawful. A vote in favor of the resolution could also be registered without prejudice to any position taken or that may be taken by any Participant(s) in the court proceeding(s) on *Order 745*. Mr. Doot went on to explain that concerns had been raised that NEPOOL could find itself in a situation where the Court remands *Order 745* back to the FERC and FERC has not decided how to respond. In those circumstances, members might argue that a favorable vote here would require NEPOOL to advocate in favor of these DR changes. To address those concerns NEPOOL could qualify in the resolution that “NEPOOL supports the proposed Market Rule changes so long as the DC Circuit Court has not issued a mandate with respect to its decision vacating *Order 745*.” Further, if a mandate were issued, the understanding now could be that NEPOOL would have no substantive position with respect to the proposed changes absent further action by the Participants Committee.

Mr. Gordon then turned to members for comment and clarifying questions. In response to a question, Mr. Doot explained that, if NEPOOL supported the proposed changes, a decision would have to be made as to whether NEPOOL would join in the ISO’s filing. If NEPOOL does not join in that filing, it would then need to consider what comments, if any, it would file in response to the ISO’s submittal. He clarified that NEPOOL would not be in a position to join in the ISO’s filing unless the joint filing letter clearly identified the conditional nature of any

NEPOOL approval, including the fact that, should a mandate be issued, NEPOOL would have no substantive position to advocate absent further direction from the Committee.

The EnerNOC representative, supported by others, opposed any change to the wording of the resolution or to the inclusion of certain understandings in the resolution itself. They argued that there was no need to change the resolution, preferring instead that any additional understandings be reflected in the filing(s) with the FERC. Further comments were provided in support of and opposing changes to the resolution and understandings as circulated.

The Committee determined ultimately to vote the resolution as circulated in advance of the meeting with the correction noted and subject to the qualifications and understandings expressed with respect to the intention of the Committee and members concerning the vote relative to the court proceeding(s) addressing Order 745. Thus, the following main motion was duly made and seconded:

RESOLVED, that the Participants Committee supports the revisions to Market Rule 1 to enable Demand Response Resources to provide Real-Time Operating Reserves and Forward Reserves, as recommended by the Markets Committee at its September 3-4, 2014 meeting, and circulated to this Committee in advance of this meeting, together with those changes proposed by ISO-NE and agreed to by the Participants Committee at this meeting and such non-substantive changes as may be approved by the Chair and Vice-Chair of the Markets Committee.

Further discussion ensued. A member opposing the proposal expressed concern with the ISO's proposal to provide greater credit in terms of payments for Operating Reserves by including a distribution loss gross up, yet the amount of Operating Reserves that would be used from these DR resources for system operation/dispatch would not include the gross up.

Without further discussion, the main motion was then voted and was determined by a show of hands to have been approved, with opposition noted by: GDF SUEZ, NextEra, and PPL;

and abstentions by: Brookfield/CSC, Calpine, ConEd, Dominion, Dynegy, EquiPower, Entergy, Essential Power, Exelon, Granite Ridge, LIPA, Millennium, PSEG, Noble, and the AR Sector's Small Renewable Generation Group Member.

TANGENT TRANSITION TO LOAD RESPONSE SUB-SECTOR SMALL GROUP MEMBER AND NEPOOL AGREEMENT AND PARTICIPANTS AGREEMENT CHANGES TO ALLOW FOR THAT TRANSITION

Mr. Patrick Gerity, NEPOOL Counsel, referred the Committee to the materials circulated in advance of the meeting concerning a proposal to approve the transition of Tangent Energy Solutions, Inc. (Tangent) from a Provisional Member to a full member of the AR Sector (the Transition) and to approve the balloting of changes to the NEPOOL and Participants Agreements to permit the implementation of that Transition (the Amendments). He explained that the Amendments would make consistent the definition of Demand Response Resource with the overarching definition of AR Provider by affording the Participants Committee the same flexibility to determine that a Demand Response Resource Provider has Substantial Business Interests in Alternative Resources (beyond those specifically identified in the NEPOOL Agreement), as could be taken into consideration for the determination of whether an Entity has Demand Response Resources in the first instance. The practical import, he explained, was that Tangent would remain a member of the AR Sector, albeit with an increased share of Participant Expenses attendant to membership in the AR Sector's Small Load Response Group Seat, rather than be required to remain a Provisional Member, subject to the revised Provisional Member arrangements agreed to in the 126th Agreement the prior month. Mr. Gerity reported that the Membership Subcommittee recommended that the Tangent Transition be approved and the Amendments be approved for balloting by the Participants Committee.

The following motion was duly moved and seconded:

RESOLVED that, subject to successful approval of the proposed Amendments to the Second Restated NEPOOL Agreement and the Participants Agreement substantially in the form of the Amendments presented at this meeting, the Participants Committee (1) approves the transition of Tangent Energy Solutions, Inc. to the AR Sector Load Response Sub-Sector Small Group Member (Transition), as previously approved by the AR Sector and recommended by the Membership Subcommittee and presented at this meeting, and (2) authorizes and directs the Balloting Agent (as defined in the Second Restated NEPOOL Agreement) to circulate ballots for the approval of agreements amending the New England Power Pool Agreement and Participants Agreement to allow for that Transition, to each Participant for execution by its voting member or alternate on this Committee or such Participant's duly authorized officer.

Members then commented and asked clarifying questions on the Amendments, particularly as to the precedent that the Amendments might create. In response, Mr. Gerity confirmed that the Amendments addressed only the determination of eligibility for membership in the AR Sector, and only eligibility for Entities otherwise unable to meet the criteria explicitly enumerated in the NEPOOL Agreement. He stated that the Amendments would not in any way cut back on existing AR Sector eligibility criteria, and would not affect the criteria for membership in any of the remaining Sectors. He added that the Amendments were inclusive rather than exclusive in nature -- those already eligible to be AR Sector members under the NEPOOL Agreement would continue to be eligible; those determined by the AR Sector and the Participants Committee to have the requisite Substantial Business Interest, not otherwise anticipated when the Sector was formed during the region's transition to the RTO arrangements, to support membership in the AR Sector would also be included. He clarified that, while the process for the AR Sector determination would largely be left to that Sector to establish, the expectation was that Sector members' input would be roughly equal to its proportionate Member Fixed Voting Share.

Following further discussion, the motion was voted and unanimously approved, with abstentions noted by Emera and GDF SUEZ. Mr. Gordon reminded the Committee that ballots for approval of the Amendments would be circulated following the meeting and urged Participants to timely return their executed ballots.

COMMITTEE REPORTS

Mr. Stephen Kirk reported that the NEPOOL Audit and Management Subcommittee (NAMS) had met to finalize the identity of the ISO operational areas NEPOOL would request be audited, and to explore whether an auditor would be retained, and if so, who would work with ISO's audit staff through the audit process. He hoped those efforts could be concluded by year's end.

Mr. Fuller announced that the next meeting of the Budget & Finance Subcommittee would be held on October 9, and would address, in addition to ISO progress with respect to its Capital Projects, two issues of broader interest: (i) a set of comprehensive changes to the Financial Assurance Policy (FAP) and Billing Policy, and (ii) with the Markets Committee, consideration of a proposal to implement third-party clearing of Long-Term Financial Transmission Rights, and its associated FAP and Billing Policy-related implications. He encouraged all interested to participate.

Mr. Jose Rotger, Transmission Committee (TC) Vice-Chair, reported that the TC was scheduled to next meet on October 28, and would continue discussion of reforms to the Elective Transmission Upgrade (ETU) process.

LITIGATION REPORT

Mr. Doot referred the Committee to the October 1 Litigation Report that had been circulated and posted with the meeting materials in advance of the meeting. He highlighted that

since the Report was circulated, the FERC had issued on October 2 an order on the ISO's FCM PI compliance filing, which he summarized. He reported that the order directed ISO to remove the Tariff language proposed by ISO to address intra-zonal congestion. Mr. Doot encouraged anyone with comments or questions on the Report to please contact him, Mr. Gerity, or any of NEPOOL's Counsel.

OTHER BUSINESS

Mr. Doot reminded the Committee, as indicated earlier in the meeting, that a special Participants Committee meeting would be held on October 15 again at The Colonnade Hotel to consider and, as appropriate, take action on Tariff changes to be proposed in response to the FERC's September 16, 2014 order in EL14-99. He indicated that the ISO's proposed revisions in response to that order would be considered by the Markets Committee for the first time at its meeting the following week.

He said that the November meeting of the Participants Committee would be on November 7 The Boston Hilton Logan Airport Hotel. That meeting would include times for sectors to meet again with the ISO Board and with the New England State regulatory representatives. He encouraged sectors, in preparing for those breakout meetings, to provide materials to the ISO by October 17 as requested so that the materials could be distributed to, and considered by, the ISO Board in advance of the meetings.

There being no further business, the meeting adjourned at 2:04 p.m.

Respectfully submitted,

David T. Doot, Secretary

**MEMBERS AND ALTERNATES PARTICIPATING IN
OCTOBER 3, 2014 PARTICIPANTS COMMITTEE MEETING**

PARTICIPANT NAME	SECTOR	MEMBER NAME	ALTERNATE NAME	PROXY
Ashburnham Municipal Light Plant	Publicly Owned		Gary Will	Brian Forshaw
Associated Industries of Massachusetts	End User			Roger Borghesani
Boylston Municipal Light Department	Publicly Owned		Gary Will	
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	John Flumerfelt	Brett Kruse	
Central Maine Power Company (CMP)	Transmission	Eric Stinneford (tel)		
Chicopee Municipal Lighting Plant	Publicly Owned		Gary Will	
Cianbro Companies	End User	Gus Fromuth		
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	Jerry Elmer		
Conservation Services Group (CSG)	AR			Doug Hurley
Consolidated Edison Energy, Inc.	Supplier	Jeff Dannels		
Danvers Electric Division	Publicly Owned		Dave Cavanaugh	
Dominion Energy Marketing, Inc.	Generation	Ron Hart (tel.)		
Dragon Products Company LLC	End User			William P. Short III
DTE Energy Trading, Inc.	Supplier			Nancy Chafetz
Dynegy Marketing and Trade, LLC	Supplier			Bill Fowler
Elektrisola, Inc.	End User		Gus Fromuth	
Emera Maine, Inc.	Transmission		Stacy Dimou	
Energy America, LLC	Supplier			Nancy Chafetz
EnerNOC, Inc.	AR	Herb Healy (tel)	Greg Geller	
Entergy Nuclear Power Marketing LLC	Generation			Bill Fowler
EquiPower Resources Management, LLC	Generation			Bill Fowler
Essential Power, LLC	Generation			Bill Fowler
Exelon Generation Company	Supplier	Steve Kirk	Bill Fowler	
Fairchild Semiconductor Corporation	End User	Gus Fromuth		
Galt Power, Inc.	Supplier	Nancy Chafetz		
GDF SUEZ Energy Marketing NA, Inc.	Generation	Thomas Kaslow		
Generation Group Member	Generation		Abby Krich (tel.)	Bob Stein
Georgetown Municipal Light Plant	Publicly Owned		Dave Cavanaugh	
Granite Ridge/Merrill Lynch Commodities	Supplier		Bill Fowler	
Groton Electric Light Department	Publicly Owned		Gary Will	Brian Forshaw
Groveland Electric Light Department	Publicly Owned		Dave Cavanaugh	
H.Q. Energy Services (U.S.) Inc.	Supplier		Bob Stein	Abby Krich (tel)
Harvard Dedicated Energy Limited	End User	Mary Smith		Roger Borghesani
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	Brian Forshaw
Holyoke Gas & Electric Department	Publicly Owned			Gary Will (tel)
Hudson Light and Power Department	Publicly Owned		Gary Will	Brian Forshaw
Hull Municipal Lighting Plant	Publicly Owned		Gary Will	Brian Forshaw
Industrial Energy Consumer Group	End User	Donald Sipe		
Ipswich Municipal Light Department	Publicly Owned		Gary Will	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 Kieny	
Long Island Lighting Company (LIPA)	Supplier	William Killgoar		
Maine Public Advocate	End User			Paul Peterson
Maine Skiing, Inc.	End User	Donald Sipe		

**MEMBERS AND ALTERNATES PARTICIPATING IN
OCTOBER 3, 2014 PARTICIPANTS COMMITTEE MEETING**

PARTICIPANT NAME	SECTOR	MEMBER NAME	ALTERNATE NAME	PROXY
Mansfield Municipal Electric Department	Publicly Owned		Gary Will	
Marblehead Municipal Light Department	Publicly Owned		Gary Will	
Marden's Inc.	End User	Gus Fromuth		
Mass. Attorney General's Office	End User	Fred Plett		
Mass. Municipal Wholesale Electric Company (MMWEC)	Publicly Owned	Gary Will		Brian Forshaw
Merrimac Municipal Light Department	Publicly Owned		Dave Cavanaugh	
Middleborough Gas and Electric Department	Publicly Owned		Gary Will	Brian Forshaw
Middleton Municipal Electric Department	Publicly Owned		Dave Cavanaugh	
Millennium Power Partners	Generation		Ken Dell Orto (tel)	
MoArk, LLC	End User	Gus Fromuth		
New England Power Company (National Grid)	Transmission	Timothy Brennan	Tim Martin	
New Hampshire Electric Cooperative (NHEC)	Publicly Owned			Brian Forshaw
New Hampshire Office of Consumer Advocate (NH OCA)	End User	Paul Peterson		
NextEra Energy Resources, LLC	Generation	Michelle Gardner		
Noble Americas Gas & Power Corp.	Supplier			Becky Merola (tel)
NRG Power Marketing, Inc.	Generation	Pete Fuller		
NU / NSTAR	Transmission		Calvin Bowie	Joe Staszowski (tel)
PalletOne of Maine	End User	Gus Fromuth		
Pascoag Utility District	Publicly Owned		Dave Cavanaugh	
Paxton Municipal Light Department	Publicly Owned		Gary Will	Brian Forshaw
Peabody Municipal Light Plant	Publicly Owned		Gary Will	Brian Forshaw
PowerOptions, Inc.	End User			Paul Peterson
PPL EnergyPlus, LC	Supplier		Sharon Weber (tel)	
Princeton Municipal Light Department	Publicly Owned		Gary Will	
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	
Shipyard Brewing LLC	End User	Gus Fromuth		
Shrewsbury Electric & Cable Operations	Publicly Owned		Gary Will	
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	
South Jersey Energy Company	Supplier			Nancy Chafetz
St. Anselm College	End User	Gus Fromuth		
Sterling Municipal Electric Light Department	Publicly Owned		Gary Will	
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	Roger Borghesani	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	Mark Sciarotta	
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	
Westerly Hospital, The	End User		Gus Fromuth	

**MEMBERS AND ALTERNATES PARTICIPATING IN
OCTOBER 3, 2014 PARTICIPANTS COMMITTEE MEETING**

PARTICIPANT NAME	SECTOR	MEMBER NAME	ALTERNATE NAME	PROXY
Westfield Gas & Electric Light Department	Publicly Owned		Gary Will	
Z-TECH LLC	End User		Gus Fromuth	

**ROLL CALL VOTES TAKEN AT
OCTOBER 3, 2014 PARTICIPANTS COMMITTEE MEETING**

TOTAL

Participant Name	VOTE 1	VOTE 2
GENERATION	17.17	17.17
TRANSMISSION	0.00	3.43
SUPPLIER	15.61	10.30
ALTERNATIVE RESOURCES	4.28	11.95
PUBLICLY OWNED ENTITY	0.00	0.00
END USER	<u>1.56</u>	<u>4.29</u>
% IN FAVOR	33.54	47.14

GENERATION SECTOR

Participant Name	VOTE 1	VOTE 2
Dominion Energy Marketing, Inc.	F	F
Energy Nuclear Power Marketing LLC	F	F
EquiPower Resources Management, LLC	F	F
Essential Power, LLC	F	F
GDF SUEZ Energy Marketing NA, Inc.	F	F
Generation Group Member	F	F
Millennium Power Partners	F	F
NextEra Energy Resources, LLC	F	F
NRG Power Marketing, LLC	--	F
TransCanada Power Marketing Ltd.	F	--
IN FAVOR (F)	9	9
OPPOSED (O)	0	0
TOTAL VOTES	9	9
ABSTENTIONS (A)	0	0

TRANSMISSION SECTOR

Participant Name	VOTE 1	VOTE 2
Central Maine Power Company	A	F
Emera Maine	A	A
New England Power Company	A	O
The United Illuminating Company	A	O
NU / NSTAR	A	O
Vermont Electric Power Company, Inc.	O	O
IN FAVOR (F)	0	1
OPPOSED	1	4
TOTAL VOTES	1	5
ABSTENTIONS (A)	5	1

ALTERNATIVE RESOURCES SECTOR

Participant Name	VOTE 1	VOTE 2
Renewable Generation Sub-Sector		
First Wind Energy Marketing	F	F
Small RG Group Member	F	F
Distributed Generation Sub-Sector		
Conservation Services Group	O	F
Load Response Sub-Sector		
Enerwise Global Technologies Inc.	O	F
EnerNOC, Inc.	A	F
Vermont Energy Investment Corp.	O	O
Small LR Group Member	O	A
LR Provisional Group Voting Member	A	F
IN FAVOR (F)	2	6
OPPOSED	4	1
TOTAL VOTES	6	7
ABSTENTIONS (A)	2	1

SUPPLIER SECTOR

Participant Name	VOTE 1	VOTE 2
BP Energy Company	A	O
Brookfield Energy Marketing Inc./CSC	S	S
Brookfield Energy Marketing Inc.	A	F
Cross-Sound Cable Company	O	F
Calpine Energy Services	F	F
Consolidated Edison Energy, Inc.	F	F
DTE Energy Trading, Inc.	F	A
Dynegy Marketing and Trade, LLC	F	F
Energy America, LLC	F	O
Exelon Generation Company	F	F
Galt Power, Inc.	F	O
Granite Ridge/Merrill Lynch Commodities	F	F
H.Q. Energy Services (U.S.) Inc.	F	F
Integrus Energy Services, Inc.	F	O
LIPA	O	F
Noble Americas Gas & Power Corp.	A	O
PPL EnergyPlus, LLC	F	A
PSEG Energy Resources & Trade LLC	F	F
South Jersey Energy Company	F	O
IN FAVOR (F)	13.0	9.0
OPPOSED	1.3	6.0
TOTAL VOTES	14.3	15.0
ABSTENTIONS (A)	2.7	2.0

**ROLL CALL VOTES TAKEN AT
OCTOBER 3, 2014 PARTICIPANTS COMMITTEE MEETING**

END USER SECTOR

Participant Name	VOTE 1	VOTE 2
Associated Industries of Massachusetts	O	O
Cianbro Companies	A	F
Connecticut Office of Consumer Counsel	O	O
Conservation Law Foundation	O	A
Elektrisola, Inc.	A	A
Fairchild Semiconductor Corporation	A	A
Harvard Dedicated Energy Limited	O	O
High Liner Foods (USA) Inc.	A	F
Industrial Energy Consumer Group	A	--
Maine Public Advocate Office	O	O
Maine Skiing, Inc.	A	--
Marden's Inc.	A	A
Mass. Attorney General's Office	F	O
MoArk, LLC	A	A
NH Office of Consumer Advocate	O	O
PowerOptions	O	O
PalletOne of Maine	A	A
St. Anselm College	A	A
Shipyards Brewing Co., LLC	A	F
The Energy Consortium	O	O
Union of Concerned Scientists	O	A
Utility Services Inc.	O	O
Westerly Hospital	A	A
Z-TECH, LLC	A	A
IN FAVOR (F)	1	3
OPPOSED	10	9
TOTAL VOTES	11	12
ABSTENTIONS (A)	13	10

PUBLICLY OWNED ENTITY SECTOR (cont.)

Participant Name	VOTE 1	VOTE 2
Hingham Municipal Lighting Plant	O	O
Holden Municipal Light Department	O	O
Holyoke Gas & Electric Department	O	O
Hudson Light and Power Department	O	O
Hull Municipal Lighting Plant	O	O
Ipswich Municipal Light Department	O	O
Littleton (MA) Electric Light Dep't	O	O
Littleton (NH) Water & Light Department	O	O
Mansfield Municipal Electric Dep't	O	O
Marblehead Municipal Light Dep't	O	O
Mass. Development Finance Agency	O	O
Mass. Municipal Wholesale Electric Co.	O	O
Merrimac Municipal Light Dep't	O	O
Middleborough Gas and Electric Dep't	O	O
Middleton Municipal Electric Dep't	O	O
New Hampshire Electric Coop.	O	O
Pascoag Utility District	O	O
Paxton Municipal Light Department	O	O
Peabody Municipal Light Plant	O	O
Princeton Municipal Light Department	O	O
Rowley Municipal Lighting Plant	O	O
Russell Municipal Light Department	O	O
Shrewsbury's Electric & Cable Ops.	O	O
South Hadley Electric Light Department	O	O
Sterling Municipal Electric Light Dep't	O	O
Stowe (VT) Electric Department	O	O
Taunton Municipal Lighting Plant	O	O
Templeton Municipal Lighting Plant	O	O
Vermont Electric Cooperative	O	O
Vermont Public Power Supply Authority	O	O
Wakefield Municipal Gas & Light Dep't	O	O
Wallingford, Town of	O	O
Wellesley Municipal Light Plant	O	O
West Boylston Municipal Lighting Plant	O	O
Westfield Gas & Electric Light Dep't	O	O
IN FAVOR (F)	0	0
OPPOSED	45	45
TOTAL VOTES	45	45
ABSTENTIONS (A)	0	0

PUBLICLY OWNED ENTITY SECTOR

Participant Name	VOTE 1	VOTE 2
Ashburnham Municipal Light Plant	O	O
Boylston Municipal Light Department	O	O
Braintree Electric Light Department	O	O
Chicopee Municipal Lighting Plant	O	O
Concord Municipal Light Plant	O	O
Conn. Municipal Electric Energy Coop.	O	O
Danvers Electric Division	O	O
Georgetown Municipal Light Dep't	O	O
Groton Electric Light Department	O	O
Groveland Electric Light Department	O	O