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November 8, 2002

## **VIA ELECTRONIC FILING**

The Honorable Magalie R. Salas  
Secretary  
Federal Energy Regulatory Commission  
888 First Street  
Washington, DC 20426

Re: ISO New England Inc. and New York Independent System Operator, Inc.; FERC  
Docket No. RT02-3-000;  
Remedying Undue Discrimination through Open Access Transmission Service and  
Standard Electricity Market Design; FERC Docket No. RM01-12-000  
Joint Statement By New England Conference of Public Utilities Commissioners Inc.  
and the New England Power Pool Participants Committee

Dear Secretary Salas:

The New England Conference of Public Utilities Commissioners Inc. and The New  
England Power Pool Participants Committee hereby submit electronically their Joint Statement  
in the above-referenced dockets.

Respectfully submitted,

Patrick M. Gerity  
Counsel to the NEPOOL Participants  
Committee

cc: Persons identified on the Service Lists in the captioned dockets.

UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION

ISO New England Inc.	)	
	)	
New York Independent System	)	Docket No. RT02-3-000
Operator, Inc.	)	
	)	
Remedying Undue Discrimination	)	
through Open Access Transmission Service	)	Docket No. RM01-12-000
and Standard Electricity Market Design	)	
	)	

**JOINT STATEMENT BY**  
**NEW ENGLAND CONFERENCE OF PUBLIC UTILITIES COMMISSIONERS INC.**  
**AND THE**  
**NEW ENGLAND POWER POOL PARTICIPANTS COMMITTEE**  
(November 8, 2002)

The New England Conference of Public Utilities Commissioners Inc. (“NECPUC”) and the New England Power Pool (“NEPOOL”) Participants Committee hereby file this joint request that the Commission require that cost shifting issues be addressed prior to (i) the implementation of standard market design (“SMD”) in the form contemplated by the Commission’s Notice of Proposed Rulemaking (“NOPR”) on that topic in Docket No. RM01-12-000<sup>1</sup>; (ii) the creation of a new Northeast Regional Transmission Organization (the “NERTO”) as suggested by the August 23, 2002 joint petition (the “Joint Petition”) in Docket No. RT02-3-000 for a declaratory order submitted by ISO New England Inc. (“ISO-NE”) and the New York Independent System Operator (“NYISO”) (collectively, the “ISOs”); and/or (iii) elimination of export fees between regions which will unquestionably result in interregional cost shifting. NECPUC and NEPOOL

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<sup>1</sup> See Notice of Proposed Rulemaking, Docket No. RM01-12-000, 18 C.F.R. Part 35 (Jul. 31, 2002).

file this request pursuant to Rules 211 and 212 of the Commission's Rules of Practice and Procedure, 18 C.F.R. §§ 385.211 and 385.212 (2001). They file the request in each of the above captioned proceedings because the cost-shifting issue must be addressed regardless of whether the cost shifting occurs through seams reduction from standardizing New York's and New England's markets as proposed in the NOPR or from the consolidation of regional control area operations as proposed in the Joint Petition.

Included in this pleading is the framework of a proposal that could resolve, in a way that is equitable, just, and reasonable to all affected entities, the complex cost-shifting issues that result from increased interregional transactions, which are expected to result from the reduction in impediments to trades between the regions ("Seams Reductions") as contemplated by both the SMD NOPR and the Joint Petition.<sup>2</sup> The proposal, which requires more detailed, cooperative discussion to finalize, at this time enjoys the support of regulators in all six of the New England states and the NEPOOL Participants Committee.<sup>3</sup> While an order requiring implementation of a solution incorporating this proposal is not sought at this time, the Commission should not allow or require the elimination of export fees or the formation of NERTO without a final, approved

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<sup>2</sup> A substantial amount of the cost-shifting resulting from Seams Reductions under either the SMD NOPR or the Joint Petition can be attributed to the elimination of export fees, which are currently \$4/MW for exports to New York and \$6/MW for exports to New England. For this reason and because it is perhaps easiest to understand and quantify, the elimination of export fees is used for illustrative purposes. The general solution contained in the proposal, however, could equally be applied to other quantifiable Seams Reductions.

<sup>3</sup> NEPOOL approval of this Joint Statement is premised on the understanding that the Joint Statement addresses the highly unique, fact-specific interregional cost shifting issues raised by a more seamless joining of the New York and New England markets, and that the proposal contained herein may or may not be appropriate in other regions of the country. The NEPOOL Participants Committee approved the filing of this Joint Statement by a NEPOOL Vote of 67.86% in favor. (Generation – 5% [1 in favor, 3 opposed, 2 abstentions]; Transmission – 20% [5 in favor, 2 abstentions]; Supplier – 2.86% [1 in favor, 6 opposed, 3 abstentions]; Publicly Owned Entity – 20% [37 in favor]; End User – 20% [9 in favor]).

solution to the cost shifts that the SMD NOPR, NERTO, or other mechanism to eliminate seams would engender.

## **I. BACKGROUND**

The cost-benefit analyses performed in connection with the NOPR and the Joint Petition indicate that there are appreciable overall savings that could result from a more seamless joining of the New York and New England markets.<sup>4</sup> Notwithstanding the predicted overall savings, however, the analyses to date show that, under base case assumptions, New England will experience *increased* production costs, as well as loss of transmission support payments, as a result of the market consolidation.<sup>5</sup>

It is simply not practical to expect that New England consumers (and their public officials) can or will support a proposal that will increase their costs without any identifiable benefit. The cost-benefit studies, in fact, have provided a powerful motivating tool for opposition to progress in New England to achieve the Commission's broader objectives intended by Order 2000 and the SMD NOPR. Unless some transitional mechanism is put in place to avoid this unacceptable cost shifting, New England consumers, state regulators, attorneys general, governors and legislators will be hard-pressed to support the Commission's and the

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<sup>4</sup> The Economic and Reliability Assessment of a Northeast RTO, included as Attachment X to the Joint Petition ("NERTO ERA"), estimates annual regional savings of \$220 million achieved by the year 2005, declining to about \$150 million by the year 2010. See NERTO ERA at p. 4; Similarly, the February 26, 2002 "Economic Assessment of RTO Policy" prepared for the Commission by ICF Consulting ("ICF Study") estimates significant overall annual savings as a result of decreased production costs in the RTO Policy Case. See ICF Study at pp. 65-68.

<sup>5</sup> The NERTO ERA estimates in New England an annual increase in wholesale power costs of \$62M for 2005, declining to an eventual savings of \$3M by the year 2010. See NERTO ERA pp. 5-7; The ICF Study also estimates increasing prices in NEPOOL through at least the year 2010. See ICF Study at pp. 65-78.

ISOs' initiatives, even if these entities might otherwise be predisposed in favor of the initiatives.<sup>6</sup> Resolution of these cost-shifting issues, therefore, has emerged, at least from the New England perspective, as a pre-condition to expeditiously proceeding with eliminating the revenues from export fees or proceeding with the formation of a NERTO or other northeast market.

The SMD NOPR itself recognizes a portion of the problem that might arise through standardization of markets and seams elimination, and acknowledges that a solution needs to be defined. Specifically, in order to avoid artificial incentives or disincentives for trade across regions, the NOPR proposes to make consistent the rate treatment for inter- and intra-regional transactions for transmission service. It proposes to accomplish this by allowing only one access charge (the access charge for the transmission system where power is ultimately delivered to load) to be paid for power to reach load. (NOPR at P 180.) However, the Commission recognizes that this proposal will result in lost revenues to some transmission owners. The Commission recognizes further that, absent some other mechanism, this will shift costs by lowering transmission charges for the load being served by an interregional export. The

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<sup>6</sup> See, e.g., letter from Thomas F. Reilly, Attorney General, Massachusetts, Richard Blumenthal, Attorney General, Connecticut, William H. Sorrell, Attorney General, Vermont, Mary J. Healey, Consumer Counsel, State of Connecticut, Stephen G. Ward, Public Advocate, State of Maine, Michael W. Holmes, Consumer Advocate, State of New Hampshire, to Chairman Wood, (Oct. 24, 2002) filed in Docket No. RT02-3-000: "Ratepayers across New England must be assured fair and equitable treatment in the restructuring of the wholesale markets ... Until the benefits to ratepayers across New England, as compared to New York, are made clear, consideration of this NERTO proposal is premature...Although the proposal mentions the possibility of creating a transitional mechanism to harmonize the disparate cost impacts on the New York and New England regions, the filing itself does not include a specific proposal for such a mechanism. Many stakeholders in the region, including those of us who send you this letter, will not support a merger that does not explicitly provide a mechanism for the equitable sharing of benefits between New York and New England consumers"; Letter from the Hon. Jeanne Shaheen, Governor, the state of New Hampshire, to Chairman Wood (Sep. 6, 2002): "It is disturbing to note that the costs of the proposed merger will result in NH customers subsidizing NY customers because NY has failed to address its immediate transmission and generation needs...In effect, the people of New Hampshire are being penalized for taking steps to plan our energy future, while NY is rewarded for ignoring these same pressing issues...NY should be held responsible for failing to take care of their immediate generation and transmission problems rather than shifting this burden onto New Hampshire and the other New England states."

importing region is likely to experience lower production costs as a result. The exporting region will potentially experience higher transmission costs as a result of the lost revenues, and is also likely to experience higher local production costs since more is being generated to export the power beyond the region. The Commission acknowledges the inequity of this result and proposes some means for assessing export fees on the load that is benefiting from the elimination of transmission charges for wheeling through or out of a region. (*Id.* at P 184.) Regrettably, the Commission does not acknowledge or appreciate the production cost shift other than to suggest that local entities can avoid this shift by contracting for low cost power so it “stays at home.”<sup>7</sup>

Similarly, the Joint Petition also acknowledges some of the cost shifting problems that result from its proposal. Specifically, the Joint Petition provides for the elimination of “border charges” for transactions between New York and New England, and proposes that their elimination be “conditioned upon the consideration by the Commission and the states, on an expedited basis, of mechanisms by which the [Transmission Owners (“TOs”)] can recoup lost revenues stemming from the elimination of border charges.” The mechanisms developed should be “designed to avoid distortions in the operation of the wholesale market.” (Joint Petition at pp. 36-37.) The ISOs propose that, because actual results arising from the creation of the NERTO may differ from those forecast, the NERTO Board periodically review actual results and adopt measures “to avoid significant economic advantage to either part of the NERTO region.” (Joint Petition at pp. 73-74.)

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<sup>7</sup> Answer to Questions 6, “SMD Questions and Answers” available on the Commission’s website at: <http://www.ferc.gov/Electric/RTO/Mrkt-Strct-comments/nopr/smdgas.pdf>.

## **II. IMPLEMENTATION OF A FINAL RULE ON SMD OR NERTO SHOULD INCLUDE A RESOLUTION OF THE COST SHIFTING ISSUES**

To achieve support for a further transition of the market place as proposed by the Commission and the ISOs, the promise of a potential solution in the future must be replaced by an approved solution which is in place prior to implementation. Cost shifting, even within a region like New England, has been extremely complicated and difficult to address. Indeed, this issue delayed by two years or more the formation of a regional transmission group in New England. The last issues to be resolved in connection with the filing in 1996 of the NEPOOL Open Access Transmission Tariff were the cost shifting issues that resulted from the Tariff proposal.<sup>8</sup> The proposed solutions to these issues were the subject of extended litigation and ultimately were modified in a way that the Participants, their regulators, and the Commission could all accept.<sup>9</sup>

Now, the region is confronted with equally complex, if not more complex, interregional cost shifting issues. Experience demonstrates that the cost shifting issues must be addressed to remove obstacles to progress.

In recognition of this fact, NEPOOL and representatives of the public utility commissions in the six New England states, through NECPUC, with cooperation from ISO-NE, formed a multi-disciplined working group (the “New England Cost Benefit Working Group” or “CBWG”) to hold intensive discussion and analysis of the cost-shifting issues with an eye to developing a

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<sup>8</sup> See Transmittal letter to Thirty-Sixth Agreement Amending New England Power Pool Agreement, filed December 31, 1996 in Docket No. ER97-1079.

<sup>9</sup> See “Comprehensive Agreement Resolving All Issues Raised In This Proceeding Except For One Issue Raised By Great Bay Power Company” filed by NEPOOL on April 7, 1999 in Docket Nos. OA97-237-007 et al., approved by the Commission in New England Power Pool, 88 FERC ¶ 61,140 (1999).

proposed solution. The CBWG has developed the conceptual outline of a transitional proposal (the “Proposal”) that would include a mechanism to reasonably approximate the economic benefits derived from increased inter-regional transfers and a means of allocating those benefits among all consumers in a fair and just way. The Proposal directly addresses the actual cost shifting that will result between New England and New York from the elimination of impediments to trading between the regions. The Proposal, which is designed effectively to be self-funding, would ensure that transmission owners and their customers do not see a shift in transmission costs stemming from the elimination of inter-regional charges, and will allocate benefits from the Commission’s and ISOs’ initiatives so as to protect those who would otherwise be required to pay higher production costs.

The CBWG has been hampered by its inability to gain the cooperation of the NY ISO in testing the Proposal. The NY ISO has taken the position that this issue need only be resolved after a NERTO is formed. Further, it claims that its tariff would preclude the use of actual data to test the validity of the Proposal.

At this time, progress can be achieved by New York participation in defining a solution. To date, membership on the CBWG has been limited to New England constituents, although a number of the generators and suppliers active on the Group also have interests in New York. Recognizing the need to engage New York, and in light of the NY ISO’s unwillingness or inability to cooperate, the Chairs of the public utility commissions in Maine and Massachusetts met recently with the Chair of the New York Public Service Board and began discussions of the Proposal. Initial exploratory discussions have been promising, but much more dialogue is needed.

What is clear from discussions to date is that a final solution will be delayed until the Commission acknowledges that the cost shifting must be addressed before SMD, NERTO or any other mechanism to eliminate seams can be implemented. If resolution of these issues is delayed, it is likely that progress in achieving the Commission's and ISOs' objectives will be similarly delayed. The Commission can and should expect parties to focus their efforts on blocking changes that will increase costs to their regions. For these reasons, NECPUC and NEPOOL urge the Commission to be proactive now and indicate clearly and forcefully that a solution to these complex cost shifting issues must be proposed and approved prior to the implementation of a final SMD rule, the formation of the NERTO or any other mechanism to eliminate seams.

### **III. THE COMMISSION'S PROPOSALS TO ADDRESS COST-SHIFTING ISSUES ARE INCOMPLETE**

In the SMD NOPR, the Commission suggests for comment two potential mechanisms to address cost-shifting concerns that arise from elimination of transmission charges to export from or wheel through a region. One suggestion is for a "source" ITP to assess a portion of its transmission revenue requirements to a "sink" ITP. (SMD NOPR at P 186). The second suggestion is to account for interregional transaction charges based on load ratio shares and net the charges out over time. Transmission customers in the net-importing ITP would, under this suggestion, pay a scheduling charge to their ITP, the proceeds of which would be returned to transmission customers of the net-exporting ITP. (SMD NOPR at P 187).

Neither of these Commission suggestions address fully the cost-shifting that will occur in New England under the SMD NOPR if the final rule is implemented, the NERTO proposed in the Joint Petition or any other mechanism to eliminate seams. The Commission recognizes that

locational marginal prices in exporting regions may increase as a result of, for example, elimination of the export fees (see SMD NOPR App. F), but proposes nothing to address this increase in costs. Indeed, in response to potential questions on this point, the FERC suggests that the cost implications can be resolved through bilateral contracts with lower cost providers. This suggestion ignores the fact that prices in the bilateral market are informed if not driven by anticipated locational marginal prices. If a low cost generator anticipates that locational marginal prices will go from \$20 to \$25 as a result of, for example, the elimination of an export fee, it is reasonable to presume that the generator will increase the price it will seek for its power.

Further, the Commission's suggestions are referenced to sales between two ITPs. They do not address a situation like that proposed in the NERTO where, if implemented, there will be only one ITP. Nor does it address the situation of lost revenues that will arise through the elimination of charges for wheeling through an ITP. Thus, a more complete solution is needed, one that is likely to be highly fact specific and may vary markedly by region.

#### **IV. THE NECPUC/NEPOOL PROPOSAL TO ADDRESS COST SHIFTING ISSUES REFLECTS A FRAMEWORK THAT DEMONSTRATES THAT A JUST AND REASONABLE SOLUTION IS ACHIEVABLE**

NECPUC and NEPOOL have applied the time and resources so far to define the framework for and the elements of a proposal that, with the necessary details worked out, would resolve the cost shifting concerns raised by both the SMD NOPR and the Joint Petition in a satisfactory way. As noted above, to go further in defining the necessary details for this Proposal, New York must be involved. The following discussion explains the Proposal to the extent developed to date, principally to demonstrate that feasible solutions are achievable.

## **A. Approximating Zonal Costs and Benefits Associated with Seams Reductions**

The first component of the Proposal, which is to be transitional only, would be to approximate changes in production costs in New York and New England that result from additional transactions completed due to Seams Reduction. A calculational mechanism discussed is to use a dispatch algorithm like GE MAPS<sup>10</sup> with actual bid and load data and the actual status of transmission and generation facilities from both New England and New York. By using actual data, concern over assumptions in forward-looking cost-benefit analyses is eliminated. The use of actual data also would minimize the impact that flawed assumptions or actual experiences different from assumptions (e.g. shifts in the price of natural gas) might otherwise have on production cost shift calculations.

By way of example, under the Proposal and using the actual data described above for a defined period and the GE MAPS model and techniques used in the ISOs' initial cost/benefit report (the "Model"), the ISOs, NERTO or their agent would determine a proxy hurdle rate that produces modeled flows which approximate the actual flows between the regions ("Proxy Hurdle Rate"). For example, if the period being studied were a day, a Proxy Hurdle Rate would be established for that day. An incremental hurdle rate would then be added to the Proxy Hurdle Rate to determine a theoretical change in the interface prices between New England and New York ("Seams Hurdle Rate") had the Seams Reduction not occurred. The incremental hurdle rates would be pre-negotiated and would vary based on the status of Seams Reduction efforts. For example, the actual level of "border charges" would be the incremental hurdle rate if the only Seams Reduction to date was the elimination of border charges. As seams between New

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<sup>10</sup> General Electric Multi-Area Production Simulation model. Other models (e.g. ICF's IPM computer simulation framework) could serve as appropriate alternatives.

England and New York are reduced, the negotiated incremental hurdle rate would correspondingly be increased.

The following table is intended to help illustrate the identification of the Seams Hurdle Rate in the calculational model:

Table 1: Regional Seams Hurdle Rate Calculation

A	B	C	D		E	F	G	H		I
	Direction of Flows	Proxy Hurdle rate	Proxy Hurdle Rate Interface Prices			Incremental Hurdle Rate	Seams Hurdle Rate (C+F)	Seams Hurdle Rate Interface Prices		
			NY → NE (“Sandy Pond Price”)	NE → NY (“Roseton Price”)				NY → NE (“Sandy Pond Price”)	NE → NY (“Roseton Price”)	
Period 1	NY ⇐	\$ 6	\$ 50	\$ 44	\$ 4	\$ 10	\$ 52	\$ 42		
Period 2	⇒ NE	\$ 4	\$ 52	\$ 56	\$ 6	\$ 10	\$ 48	\$ 58		
Period 3	NY ⇐	\$ 2	\$ 45	\$ 43	\$ 4	\$ 6	\$ 48	\$ 42		

The Model would then be re-run to calculate hypothetical locational prices and production costs in both New England and New York that would have resulted with the incrementally higher hurdle rate. The difference between the indicative locational prices at the Proxy Hurdle Rate and the prices produced in the hypothetical run at the incrementally higher hurdle rate would show those areas (load zones) in New England and New York where energy prices and production costs are affected by the change in the level of inter-regional transactions. Importantly, by running the model to vary only the hurdle rate, this calculational methodology will effectively limit the calculated costs impacts solely to those resulting from Seams Reductions.

Using the tool and methodology described above, the ISOs/NERTO or their agent would calculate the approximate impact of Seams Reduction for each affected load zone. The overall benefits of Seams Reductions would be quantified on a periodic basis, probably hourly, and aggregated for a day, week or month (See Table 2 for examples), thereby establishing an

identifiable pool of savings which are referred to for convenience as the “Seams Reduction Savings Fund” (or “Fund”).

Table 2: Zonal Impact of Increased Flows

A	B	C	D	E	F	G	H
	LMP using Proxy Hurdle Rate	LMP using Seams Hurdle Rate	Approx. Impact: savings (C-B)	Load (MW)	Calculated Savings in Wholesale Power Production Costs	Net Zonal Savings	Net Regional Savings
NY 1							
Period 1	50	52	2	7,650	15,300		
Period 2	52	48	-4	6,945	- 27,780		
Period 3	44	48	4	7,280	29,120	16,640	
NY2							
Period 1	49	49	1	2,240	2,240		
Period 2	54	52	-2	2,060	- 4,120		
Period 3	44	44	0	2,420	0	- 1,880	14,760
NE 1							
Period 1		42	-2	3,600	-7,200		
Period 2	56	58	2	3,420	6,840		
Period 3	43	43	0	3,730	0	360	
NE 2							
Period 1	44	42	-2	4,400	- 8,800		
Period 2	56	58	2	4,180	8,360		
Period 3	43	42	-1	4,520	- 4,520	- 4,960	- 4,600

**B. Allocation of Seams Reduction Savings Fund**

The second component of the Proposal is to allocate the Seams Reduction Savings Fund in a step-wise fashion. The CBWG proposes a five-year transition period in which the Seams Reduction Savings Fund be allocated as follows:

Step One: Moneys in the Fund would be applied to the amortized costs for the creation of the tools to calculate the Fund and to the ongoing costs for administering the Fund.

Step Two: To the extent border charges/export fees currently assessed in New York or New England are reduced or eliminated, TOs would be paid from the Fund any difference

between actual export revenues received and revenues that were received in 2001.<sup>11</sup> If savings during a particular period are insufficient to cover each TO's lost revenue requirements, a fall-back collection mechanism (e.g. a transitional charge to a benefiting region) would be defined.

Step Three: From the money remaining in the Fund, after payments for costs of creating and maintaining the Fund and reimbursements to the TOs, each load zone that experienced an increase in production costs as a result of Seams Reduction would be entitled to receive an amount equal to the lesser of the amount of its increased production cost or the ratio of its increased production costs to the sum of the production cost increases of all the load zones. Within each zone, net benefits from the Fund for Seams Reduction would be applied broadly for the benefit of all load in that zone, not just the megawatts of the load traded in the spot market during that particular time. Similarly, payments to the Fund would be assessed broadly to all the load in that zone, not just the megawatts of load traded in the spot market.

Step Four: Allocate any remaining savings in the Fund in a fair and equitable fashion.

Under a highly simplified example intended solely to illustrate the transitional allocation of a hypothetical Seams Reduction Savings Fund with two load zones in NY and two in New England (in actual practice, all load zones would be reflected in the calculation using an agreed upon production cost shift calculator, whether GE MAPS or other tool), the Fund would be allocated as follows:

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<sup>11</sup> During 2001, the NERTO ERA indicates that aggregate annual TO revenues associated with export fees were approximately \$36M in New York and \$14M in New England.

Table 3: Allocation of a Hypothetical Seams Reduction Savings Fund

	Calculated Periodic Savings in Wholesale Power Production Costs				
	NY1	NY2	NE1	NE2	Remaining Funds
<b>Development</b>					
Seams Elimination	75	-10	12	-16	61
Eliminate Export Fees	170	-18	14	-24	142
TOTAL	245	-28	26	-40	203
<b>Transition Allocation Mechanism</b>					
Step 1: Amortized Costs (presume 5 during period)	-	-	-	-	198
Step 2: TO lost revenue requirements reimbursed	-5	-27	-6	-8	152
Step 3: Load Zones held harmless	0	-28	0	-40	84
Step 4: Split the Savings	TBD	TBD	TBD	TBD	0

The Proposal has been structured carefully to accommodate retail wheeling. Specifically, the Proposal is intended so that benefits from and payments to the fund are assigned to the entities that would be assessed the energy clearing price if load were not satisfied in any hour. In New England, this is the entity with the “metered load responsibility.” For the purpose of defining metered load responsibility, a Participant would be responsible for the metered load it serves in a Zone (as defined in New England Market Rule 1 and the New York equivalent) and responsibility for the metered values would be equivalent to the responsibility used in the Market Rule 1 derivation of “Real-Time Load Obligation.”

Under this Proposal, those with metered load in a zone that effectively receive more than their pro rata share of Seams Reduction benefits through lower zonal energy prices would be assessed a per kilowatt hour transition charge. The total collections from that zone will result in the zone receiving only those benefits from the Seams Reduction to which that zone was entitled. Those with metered loads in load zones that did not receive their full allocated share of net Seams Reduction benefits would be paid a per kilowatt hour transition charge. The total payments to metered load in that zone will result in the zone receiving those benefits from the Seams Reduction to which that zone is entitled.

The final step in the Proposal for allocation of savings is intentionally indeterminate. There is not agreement among the New England constituents on the degree of allocation that would be appropriate. All NECPUC and many NEPOOL members agree that New England entities must be at least no worse off than they were without the Seams Reduction. Some NECPUC and NEPOOL members would go further, believing that New England entities must receive a share of the benefits from Seams Reduction. This matter, along with many important and material details, will need to be resolved in further discussions with New York.

#### **IV. RELIEF REQUESTED**

WHEREFORE, for the reasons stated herein, NECPUC and NEPOOL request that the Commission consider these comments in considering any final rule arising out of the SMD NOPR and in considering the Joint Petition and grant the joint request by NECPUC and NEPOOL for an order that would require resolution of these cost shifting issues prior to implementation of any final rule resulting from the SMD NOPR, formation of the NERTO or other Commission directive to eliminate seams.

Respectfully submitted,  
New England Conference of Public Utilities  
Commissioners Inc.

By: \_\_\_\_\_

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Respectfully submitted,  
NEPOOL Participants Committee

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Its Attorneys

Dated: November 8, 2002

**CERTIFICATE OF SERVICE**

I hereby certify that on November 8, 2002, I caused a copy of the foregoing document to be served upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Hartford, Connecticut this 8th day of November, 2002.

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