

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

ISO New England, Inc.  
Southeast Massachusetts Area

Docket No. ER07-921-000

ISO New England Inc.

CHIEF JUDGE'S REPORT

(Issued May 23, 2007)

TO THE COMMISSION:

1. This proceeding began as a non-docketed matter for which the parties requested that Judge Lawrence Brenner be assigned as the mediator. The Chief Judge designated Judge Brenner as mediator and created an internal docket number—ME06-2-000—in order to track the matter. Judge Brenner met with the parties several times, and as a result of the mediation, the parties reached a settlement of the issues in dispute.

2. On May 18, 2007, ISO New England Inc. (ISO-NE) filed for approval by the Commission a package consisting of a Settlement Agreement, Explanatory Statement, Market Rule 1 revisions, and a joint supporting statement regarding the Market Rule 1 revisions from the ISO and the New England Power Pool (NEPOOL).<sup>1</sup> The Settlement Agreement and the Market Rule 1 revisions are the product of extended settlement discussions and consensus building in the New England region and at the Commission, both among the Settling Parties<sup>2</sup> in confidential settlement negotiations and on a larger scale among all interested entities, including state regulators, load serving entities, suppliers, transmission owners, publicly owned entities, ISO-NE and NEPOOL. They resolve disputes generally over the appropriate allocation of out-of-merit operation costs for resources that are classified as local second contingency protection resources (LSCPR) in New England, and specifically over the reasons for, appropriate allocation of, and bases for future reductions in costs for out-of-merit dispatch of the Canal Electric Generating Units 1 and 2 in Southeast Massachusetts.

---

<sup>1</sup> The Commission assigned the captioned docket to the Settlement Agreement filed as a result of the mediation.

<sup>2</sup> The Settling Parties are identified in the Explanatory Statement and the Settlement Agreement.

3. The Settling Parties are requesting the Commission to approve a July 1 effective date, and for shortened comment period to June 4 for initial comments and June 11 for reply comments.

Curtis L. Wagner, Jr.  
Chief Administrative Law Judge