



**For Immediate Release
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**NEW ENGLAND ENERGY SETTLEMENT WILL SAVE MONEY FOR
CONSUMERS; INCREASE CAPACITY AND RELIABILITY TO THE REGION**

Boston – A settlement agreement announced today will provide long overdue changes to the New England energy system that will save money for consumers while increasing capacity and reliability to the region.

Specifically, the announcement by ISO-NE on behalf of the parties to the settlement (including state regulators, consumer advocates, business groups and generators) makes three major changes to the way New England will generate and pay for energy:

- Eliminates the Locational Installed Capacity (LICAP) market proposed by ISO New England
- Replaces it with a Forward Capacity Auction (FCA)
- Provides fixed transition payments to maintain reliability until the Forward Capacity Auction is fully functional

The settlement agreement completely discards the proposed LICAP market design. Critics argued that the LICAP proposal would not ensure new development, nor provide sufficient incentive for units to perform when needed most. Additionally, if LICAP had been implemented it would have cost the average New England consumer an average of approximately 1.8 cents per kilowatt-hour, over \$9 per household per month through 2010. Under the settlement, the average monthly cost is almost 50 percent less (under \$5 per household per month), reducing costs to consumers by \$4.3 billion during this period.

“This agreement establishes the framework and regulation to make sure New England has the power it needs when it needs it,” said Angela O’Connor, President of the New England Power Generators Association, the region’s largest trade association representing competitive electric generating companies. “This settlement will provide investors with the confidence they need to invest in more resources for New England to generate more reliable electricity in the long run,” she said.

LICAP is replaced by a Forward Capacity Auction (FCA). Each year the region will hold an auction to buy the capacity it needs for the year three years in the future. This lead time will make it possible for new projects to compete, create binding commitments to bring new capacity into the region, and keep existing capacity available, while avoiding the risk of market abuse by existing power plants.

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Currently, consumers and suppliers could be subjected to highly volatile capacity prices and no price signals to develop new capacity until it is too late. This situation prevents generators and demand response providers from earning enough to cover their fixed costs and provides no basis to develop additional supplies of necessary power to the region.

Since the FCA mechanism will take some time to fully design and implement, there is a three-year period until the winning bids are obligated to deliver power. Therefore, transition payments will ensure that there is reliable power while this new system is put in place by:

- **Deferring retirement of necessary plants.** The transition payments of the settlement agreement will avoid premature retirements of necessary plants, and are less costly than the “reliability must run” contracts to keep them operating under the current system
- **Attracting imports.** Absent transition payments, capacity prices in neighboring regions would likely be higher than those in New England, thus reducing needed imports and potentially leading to reliability problems in the region
- **Promoting investment in energy efficiency, demand response, and renewable energy for a cleaner environment.** Transition payments can help pay the costs of environmentally friendly alternatives such as energy efficiency measures, load controls, and renewable energy resources.

The transition period begins on December 1, 2006. For more information on the FCA and related materials to this announcement please go to www.nepga.org.

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New England Power Generators Association

NEPGA is the largest trade association representing competitive electric generating companies in New England and is composed of the following member companies: American National Power, Boston Generating, Calpine Corporation, Exelon, FPL Energy, Lake Road Generating, Mirant Corporation, NRG Energy, PSEG, Competitive Power Ventures, ConEd Energy and Dominion. The member companies operate a diverse portfolio of electric generating resources located throughout New England.