



For Immediate Release
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U.S. APPROVAL OF NEW ENGLAND ENERGY SETTLEMENT PROVIDES MORE ENERGY, GREATER RELIABILITY AND SAVINGS TO CONSUMERS

Boston – The Federal Energy Regulatory Commission (FERC) today approved a settlement agreement that will provide long overdue changes to the way energy is generated and paid for resulting in more energy, greater reliability and savings for New England.

“This agreement is an important first step to make sure that New England has the power it needs when it needs it. However, it is only a first step,” said Angela O’Connor, President of the New England Power Generators Association, the region’s largest trade association representing competitive electric generating companies. “Unless we begin to build the infrastructure New England needs to generate the energy it needs the power will not be there for companies and consumers to support a healthy regional economy” she cautioned.

In addition, the FERC decision to make these changes will provide investors with the confidence they need to build more resources in New England to increase generation capacity.

This settlement agreement is the result of extensive negotiation and has the broad support of state regulators, consumer advocates, business groups and generators throughout New England. This agreement now provides the structure and funding to increase energy generation and reliability while providing price stability.

“We have the ways and the means to provide New England with more energy. Now we just need the political will to get the job done” O’Connor noted.

BACKGROUND

Three major changes to the way New England will generate and pay for energy:

- Eliminates the **Locational Installed Capacity (LICAP)** market proposed in 2004 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

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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.

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 “reliability must run” contracts used on the current system to keep needed power plants 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, Exelon, FPL Energy, Lake Road Generating, Mirant, NRG Energy, PSEG, Competitive Power Ventures, ConEd Energy, Dominion and Granite Ridge Energy. The member companies operate a diverse portfolio of over 19,000 MW of electric generating resources located throughout New England.