



THE COMMONWEALTH OF MASSACHUSETTS
OFFICE OF THE ATTORNEY GENERAL
ONE ASHBURTON PLACE
BOSTON, MASSACHUSETTS 02108

MARTHA COAKLEY
Attorney General

(617) 727-2200
(617) 727-4765 TTY
www.mass.gov/ago

May 11, 2011

Gordon van Welie, President and CEO
ISO New England Inc.
One Sullivan Road
Holyoke, MA 01040-2841

Re: Connecticut Tax; Impact on Ratepayers Throughout New England

Dear Mr. van Welie:

As you may be aware, Connecticut Governor Dannel Malloy recently signed a budget which imposes a tax of one quarter of one cent per net kilowatt hour of electricity produced by generators within Connecticut and uploaded to the regional bulk power grid. *See An Act Concerning the Governor's Recommendations on Revenue*, S.B. 1007, § 37. I am concerned that this tax may potentially raise the cost of electricity throughout New England.

New England has a regionwide power pool energy market administered by ISO New England. Because power generation units in Connecticut may, at times, be the marginal units that set the energy market clearing price, the new tax may cause the energy component of Locational Marginal Prices to rise throughout New England. As the Attorney General and statutory ratepayer advocate for the Commonwealth of Massachusetts, I am concerned about the harm to Massachusetts ratepayers and our economy that may be caused by this tax.

It is difficult, however, to assess the precise impact of the tax on regional electricity prices. Because ISO New England is the only entity with full access to market bid stack data that would show how often Connecticut generation units would set the clearing price with the imposition of this new tax, it is the only entity that can give policymakers a precise estimate of the resulting increase in costs.

I therefore request that ISO New England provide a timely analysis of the effects on electricity costs in Massachusetts and the region that may be caused by this new tax in a manner that does not expose competitively sensitive information.

Cordially,

A handwritten signature in cursive script that reads "Martha Coakley".

Martha Coakley
Massachusetts Attorney General