



FPL Energy

An FPL Group Company

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REGION 1

2006 FEB 27 PM 1:34

February 23, 2006

Mark S. Lynch
President and Chief Executive Officer
New York Independent System Operator
3890 Carman Road
Schenectady, New York 12303

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

RE: Single Largest Contingency Protocol

Dear Mr. Lynch and Mr. van Welie:

On six separate occasions¹ over the past five months, and five times during this month alone, ISO New England ("ISO-NE") Operations has required FPL Energy's ("FPLE") Seabrook nuclear unit in New Hampshire to downpower from full operating output to a maximum of 1200 MW for brief periods of time ostensibly in response to reliability concerns identified by the New York ISO ("NYISO") on its system. Specifically, it is our understanding that in each of these incidents, NYISO Operations has identified a reliability concern on its system, has contacted ISO-NE Operations and requested that ISO-NE back down its single largest contingencies operating above 1200 MW to a maximum of 1200 MW. Both the NYISO and ISO-NE have advised us that these actions stem from a reliability-based protocol (Single Largest Contingency). We also understand this protocol was drafted in 1984, in letter agreement form, between the two power pools to preserve system stability and reliability. Additionally, we have been advised that this document was not filed with any other regulatory agency at the time it was implemented.

Since May 2005, when Seabrook's uprate was completed and the unit began operating above 1200 MW, we have attempted without success to work with ISO-NE and

¹ October 19, 2005 at 18:39; February 5, 2006 at 17:34; February 18, 2006 at 20:19, February 21 at 08:10; and February 21 at 11:10; February 22 at 06:10

the NYISO to determine the source of the Single Largest Contingency protocol, obtain and review the actual operating procedure, obtain information regarding conditions within the New York Control Area that would help us understand the reasons for invoking the downpowering procedure, and, ultimately, determine alternative options to prevent the operational and financial impacts to Seabrook. We have had numerous telephonic and electronic communications with both the NYISO and ISO-NE, and yet the NYISO's responses have been particularly disappointing and, at times, unresponsive. As you know, members of our Senior Management and Regulatory teams met with NYISO and its Senior Operations group on December 14, 2005 in an attempt to better understand the operational and reliability issues surrounding this protocol. We have also had several meetings with ISO-NE's senior operations management. Yet, we are no further along in understanding the source of the protocol, how it is implemented, and the system conditions that have resulted in impacts to Seabrook.

From the limited information provided to date by the NYISO and obtained from other sources, FPL Energy is concerned that a protocol which was developed to address transmission system reliability during the days of fully regulated, integrated electric service is subject to misuse in today's market-based paradigm. Specifically, and admittedly without the benefit of full information and knowledge from the NYISO and ISO-NE on how this protocol is implemented, it is our concern that the NYISO is reacting to identified system constraints within the New York Control Area – at a time when facilities larger than 1200 MW are operating on the New England system – and is resolving those constraints first by backing down those facilities to the 1200 MW limit contained in the protocol, rather than resolving those constraints by taking action (like redispatch) on the New York system, as provided for in the NYISO Tariff. In short, it is our concern that the NYISO is identifying a potential reliability concern and responding by first selecting a solution that shifts costs to the New England system, its generation owners (in this case, FPL Energy) and its customers, rather than resolving the concern through actions internal to the New York Control Area. During an informational conversation with a NYISO official, it was suggested that this is, in fact, an appropriate operational response. We note, however, that given the limited information that FPL Energy has received to date, we do not have written support for this supposition or a formal understanding for how this protocol is intended to be implemented.

Additionally, as it relates specifically to the Seabrook nuclear unit, these actions can create reliability impacts of their own to Seabrook and the New England system. The incidents in question have been of very short duration, calling for the unit to quickly ramp down and, typically within a period of under an hour, to ramp back up to full output. As you know, rapid ramping of nuclear units and their equipment can have operational impacts including premature maintenance, and threaten the unit's availability to perform at full rated output. Additionally, Seabrook performs an on-line maintenance protocol. The planning for this maintenance assumes steady state operations when evaluating appropriate safety and procedural measures to perform such maintenance. Deviation from this assumption caused by downpowering initiates real-time changes to procedures within the operating environment which is less than optimal from a maintenance planning perspective.

Given the protocol's adverse effects on resources in New England, it is appropriate to re-evaluate its effectiveness and whether it is being applied in a manner consistent with its original intent. In particular, FPLE can not understand how the benefits to New York of reducing the output of a nuclear unit by less than 70 MW are commensurate with the risk it poses to Seabrook or New England.

FPL Energy has requested a second meeting with the NYISO, including ISO-NE, to gain a better understanding of how this protocol is invoked and operates so that we can collaboratively pursue options that ensure reliability while limiting the effect of this protocol on New England generators participating in a competitive market. We appreciate that a collaborative session has been scheduled for March 29, 2006 in Albany. For that session to be useful, we believe that – at a minimum – the following questions need to be answered and information provided:

1. Description and explanation of the transmission problems in the NY system that resulted in the 1200 MW limitation for the loss of the largest source in New England. A detailed explanation of what occurred during each downpowering event as identified in footnote #1 would be essential for a constructive meeting.
2. Source of the Single Largest Contingency protocol and any appropriate operating agreements or documentation describing its implementation. We have repeatedly requested that this information be provided by either or both ISOs, and we still await an appropriate response.
3. Is the original intent of the protocol still applicable in today's market environment?
4. Is there a market-based solution to the current protocol?

Again, FPL Energy is concerned that the implementation and application of this protocol is not appropriate in today's market-based paradigm. We certainly do not profess to have all the answers, as much of the information and history related to the Single Largest Contingency protocol is unavailable to us. We have appealed to the NYISO and ISO-NE for assistance, and hope that the meeting of March 29th, which includes both the NYISO and ISO-NE, will put us on the path to better understanding how the protocol is applied, whether it is applied appropriately, and, if so, whether specific, market-based alternatives can be identified to reconcile operational, financial and reliability impacts on all parties.

Sincerely,



F. Mitchell Davidson
Senior Vice President

cc: Dan Larcamp – Chief of Staff, FERC
Shelton Cannon – Director, Office of Energy Markets and Reliability, FERC
Anna V. Cochrane - Director, Division of Tariffs and Market Development –
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Sam Collins - Regional Administrator – U.S. NRC
Stephen G. Whitley – SVP & COO – ISO New England
Michael C. Calimano – Vice President of Operations and Reliability - NYISO