

**MEMORANDUM OF UNDERSTANDING  
AMONG THE INDEPENDENT SYSTEM OPERATORS  
AND REGIONAL TRANSMISSION ORGANIZATIONS  
IN THE NORTHEASTERN UNITED STATES TO COORDINATE EDUCATION,  
COMMUNICATIONS, OPERATIONS AND PLANNING  
ON NATURAL GAS AND ELECTRIC INTERDEPENDENCY**

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This MEMORANDUM OF UNDERSTANDING (“MOU”) dated as of June 3, 2005, 2005, between New York Independent System Operator, Inc. (“NYISO”), PJM Interconnection, LLC (“PJM”) and ISO New England Inc. (“ISO-NE”), each an Independent System Operator or Regional Transmission Organization in the Northeastern United States (collectively referred to as the “NE ISOs/RTOs” or the “Parties”), defines the agreement among the Parties to coordinate education, communications, operations (processes and procedures) and planning on matters related to natural gas fuel supply and delivery issues potentially or directly impacting the Parties’ bulk electric power systems under extreme cold weather and/or abnormal natural gas supply or delivery conditions. To achieve this objective, the undersigned Parties state and agree as follows:

**WHEREAS**, the NE ISOs/RTOs seek to effectively coordinate operations and practices to ensure reliable electric power system operation during periods of extreme cold weather and/or abnormal natural gas supply or delivery conditions;

**WHEREAS**, the NE ISOs/RTOs seek to create a forum for discussing activities and sharing information and technology for coordination of natural gas and electric bulk operations that would improve the security and reliability of the regional gas and electric grids;

**WHEREAS**, the NE ISOs/RTOs seek to sponsor technical activities to discuss issues such as coordinating electric grid and market operations, software development, educational and communication efforts, and other matters concerning coordination between the electric and natural gas industries in the Northeastern United States; and,

**WHEREAS**, NYISO, PJM and ISO-NE have executed this MOU setting forth their current intent and understanding.

**NOW, THEREFORE, IT IS HEREBY AGREED TO AS FOLLOWS:**

1. The Parties shall share information and technology concerning, and provide expertise and advice on, the coordination of natural gas and electric operations under extreme cold weather and/or abnormal natural gas supply or delivery conditions with the intention of building consensus positions.
2. The Parties shall coordinate their electrical operations with one another as well as take appropriate actions with regional natural gas operating entities to the extent commercially and legally possible.
3. The Parties shall develop, implement and adopt, as appropriate, standards and procedures to be employed in the coordination of operations between the electric and natural gas industries to ensure the reliability of both the bulk electric and regional natural gas systems.
4. While seeking to improve coordination between the electric and natural gas industries, the Parties shall promote the management of natural gas and electric operations at market seams in a manner consistent with competition and consumer choice.
5. The Parties shall jointly work to ensure that the design and development of new functions, procedures and processes related to natural gas and electric coordination and operations will neither harm nor deteriorate the current level of functionality of operations.
6. The Parties shall explore the feasibility of jointly offering uniform procedures and practices for consideration to each Parties' respective Regional Reliability Councils, (Mid Atlantic Area Council and Northeast Power Coordinating Council) and any other regional coordinating groups, such as the Inter-Area Planning Stakeholder Advisory Committee.
7. The Parties may, from time to time, share technical expertise, advice and education with the wholesale electric and natural gas industries in the Northeastern United States.
8. The Parties will continue to coordinate activities through the ISO/RTO Council in addressing comments to, interface with, and suggest priorities for the standards and protocols developed by the North American Energy Standards Board, North Atlantic Electric Reliability Council, and the NERC Regional Reliability Councils.
9. With respect to electric operations during extreme cold weather and/or abnormal

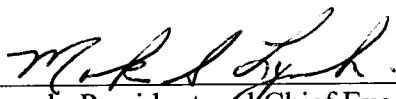
natural gas supply or delivery conditions, the Parties may also:

- a. Advise on methods and processes to ensure safe and reliable electric system operations.
  - b. Participate in joint operational look-ahead natural gas/electric communications, including conference calls, as deemed appropriate.
  - c. Identify the necessary hardware, software, databases, equipment, and intellectual property necessary to design and develop methodologies and procedures to ensure reliable electric operations.
  - d. Establish common operating or emergency operating procedures to the extent common practices are deemed appropriate and to ensure annual pre-seasonal reviews of such operating procedures.
  - e. Share data and applications with respect to availability of natural gas-fired generators based on effective temperature and the contractual business practices of natural gas-fired electric generation (i.e., natural gas pipeline capacity entitlements).
  - f. Share knowledge and understanding of the regional natural gas Transportation Service Provider's (TSP) informational postings and navigation of their electronic bulletin boards (EBBs).
  - g. Support inter-regional studies and assessments of all fuel delivery systems, as proposed by NERC's Gas/Electric Interdependency Task Force seven (7) recommendations.
  - h. Support NERC's SAR development for Resource Adequacy regarding fuel delivery and communications.
  - i. Support common-mode training of electric system operators on natural gas fundamentals, and reciprocally, natural gas system operators on electric system fundamentals.
  - j. Engage in other activities, as appropriate, to fulfill the scope and intended principles of this MOU.
- 13.** The Parties agree to establish a working committee comprised of representatives from each Party through which the work contemplated under this MOU shall be coordinated and executed. The working committee will meet periodically to further the activities contemplated under the MOU.

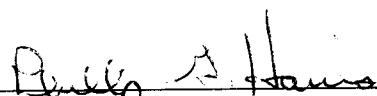
14. All public statements, recommendations and consensus documents or pleadings of any type proffered by the Parties as the joint position of the Parties require the unanimous consent of all of the Parties.
15. Any action taken by the Parties pursuant to this MOU must be done in a manner consistent with each Party's governance process, tariffs and agreements.
16. Although the intent of this MOU is to facilitate a collaborative approach through which the Parties agree to discuss common issues of concerns, share information and technology, and provide comments on policy issues affecting the Parties as a whole, this MOU does not, and is not intended to, limit each Party's ability to act independently on matters related to the coordination of electric and gas industries, including but not limited to discussing policy issues, implementing market procedures and providing public comment with respect to any issues affecting each Party.
17. The Parties agree to resolve any disagreements that may arise among them pursuant to an alternative dispute resolution process that they shall later mutually develop and implement at the working committee level.
18. The NE ISOs/RTOs agree to commit resources required to support agreed upon activities in a cost effective manner. This includes, but may not be limited to costs associated with personnel, travel, administrative and project expenses, as well as consultants' or legal fees. Each Party shall bear the costs of its own activities under this MOU. This MOU contemplates no transfer of funds between the Parties.
19. The MOU may be modified or amended at any time by written mutual agreement of all the Parties.
20. The Parties are not forming a partnership or other legal entity and no Party is authorized by this MOU to act as agent for any other Party.
21. This MOU shall become effective when signed by all Parties.
22. Any Party may terminate its participation under this MOU at any time upon giving three (3) business days' notice to the other Parties.
23. This MOU may be executed in any number of counterparts, each of which shall be an original but all of which together will constitute one instrument.
24. The Parties may only extend this MOU to include other ISOs/RTOs upon the written, mutual consent of all of the Parties.

**SO AGREED:**

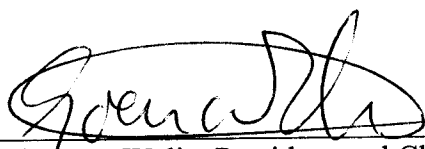
**NEW YORK INDEPENDENT SYSTEM OPERATOR, INC.**

By:   
Mark Lynch, President and Chief Executive Officer  
Date: 6/7/05

**PJM INTERCONNECTION, LLC**

By:   
Phillip G. Harris, President and Chief Executive Officer  
Date: 6/6/05

**ISO NEW ENGLAND INC.**

By:   
Gordon van Welie, President and Chief Executive Officer  
Date: 6/13/05