

SCHEDULE JDW – 1

**Default Service RFP
August 1, 2008 through October 31, 2008**

Request For Power Supply Proposals To Provide The Following Services:

Default Service in:
Massachusetts
New Hampshire

For the Period:

August 1, 2008 –
October 31, 2008

May 9, 2008

nationalgrid

REQUEST FOR POWER SUPPLY PROPOSALS

1. Overview

1.1 Background

Legislation and restructuring settlement agreements in Massachusetts¹ and New Hampshire² provide for competition in the electric utility industry by extending competition in the wholesale power supply markets to retail customers through the provision of retail access to all customers.

The Massachusetts Act provides access to the competitive retail electricity market for all retail customers of National Grid in Massachusetts (Massachusetts Electric Company and Nantucket Electric Company, each d/b/a National Grid) as of March 1, 1998. The Massachusetts Act requires each distribution company to provide default service ("MA Default Service") to those customers that are not receiving generation service from a competitive supplier.

In New Hampshire, the Restructuring Settlement provides access to the competitive retail electricity market for all retail electric customers of National Grid in New Hampshire (Granite State Electric Company d/b/a National Grid) as of July 1, 1998 pursuant to the provisions of the New Hampshire Act. The Restructuring Settlement and the New Hampshire Act require National Grid to provide default service ("NH Default Service") to those customers that are not receiving generation service from a competitive supplier³.

MA Default Service and NH Default Service together will be referred to as "Default Service".

1.2 MA Default Service

The Massachusetts Act requires MA Default Service to be competitively procured. The Massachusetts Department of Telecommunications and Energy

¹ Act Relative to Restructuring the Electric Utility Industry in the Commonwealth, Regulating the Provision of Electricity and Other Services, and Promoting Enhanced Consumer Protections Therein, Chapter 164 of The Massachusetts Acts of 1997 ("Massachusetts Act").

Granite State Electric Company's Second Amended Restructuring Settlement Agreement ("Restructuring Settlement") and RSA 374-F ("New Hampshire Act").

³ The New Hampshire Act specifies that Transition Service ends at midnight on April 30, 2006. All Transition Service customers who did not choose a competitive supplier by April 30, 2006 began receiving NH Default Service on May 1, 2006. A settlement agreement approved by the New Hampshire Public Utilities Commission on January 13, 2006 in Order No. 24,577 provides for the procurement of NH Default Service commencing May 1, 2006 ("DS Settlement Agreement").

("MDTE") initiated a generic proceeding on rules and procedures for the provision and pricing of MA Default Service⁴. The MDTE ordered all electric companies in Massachusetts to procure MA Default Service through competitive solicitations by customer group (residential, commercial and industrial) and to procure such power at fixed monthly prices⁵. The MDTE also ordered electric companies to procure power for each customer group on a zone-specific basis based on the three Standard Market Design ("SMD") Load Zones in Massachusetts⁶. Retail pricing for MA Default Service is to be provided on a zone-specific basis for the industrial customer group while retail MA Default Service prices for the residential and commercial customer groups are to be averaged across the zones served by the utility.

The MDTE ordered electric companies to procure power for their residential and commercial customer groups on a staggered basis (securing 50% of their MA Default Service supply for a twelve-month term semi-annually)⁷. The MDTE also ordered electric companies to procure power for the industrial customer group (i.e., larger customers) on a quarterly basis⁸. Additional changes regarding the procurement of MA Default Service may result from the Massachusetts Department of Public Utilities' ("MDPU")⁹, D.T.E. 04-115, "The Procurement of Default Service Power Supply for Residential and Small Commercial Customers" initiated on December 6, 2004. If the MDPU issues an order prior to executing agreements with Respondents, National Grid will incorporate any required changes into the agreements.

National Grid is hereby seeking proposals from qualified power suppliers to supply firm, load-following power to meet its MA Default Service requirements.

1.3 Massachusetts Customer Groups

For the purposes of this solicitation, the Massachusetts customer groups are defined as:

Customer Group	Rate Class
Residential	R-1, R-2, R-4 and R-E
Commercial	G-1 and street lights

⁴ Docket D.T.E. 99-60.

⁵ See Dockets D.T.E. 99-60-A and D.T.E. 99-60-B.

⁶ See Docket D.T.E. 02-40-A.

⁷ See Docket D.T.E. 02-40-B.

⁸ See Docket D.T.E. 02-40-C.

⁹ Effective April 11, 2007, the MDTE ceased to exist. Two new agencies have been established in its place: The Department of Telecommunications & Cable will handle telecommunications and cable issues and The Department of Public Utilities will handle electric, gas, siting, pipeline, water and transportation issues.



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Industrial	G-2 and G-3
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1.4 NH Default Service

The DS Settlement Agreement in New Hampshire and the New Hampshire Act require National Grid to provide NH Default Service to those customers that are not receiving generation service from a competitive energy supplier, including those customers who were receiving Transition Service on April 30, 2006 and have not chosen a competitive supplier since that date. In compliance with the DS Settlement Agreement, National Grid will procure NH Default Service by customer group (small customer group and large customer group). For the small customer group, National Grid will procure 100% of their NH Default Service supply for a six-month period. For the large customer group, National Grid will procure 100% of their NH Default Service supply for a three-month period.

National Grid is hereby seeking proposals from qualified power suppliers to supply firm, load-following power to meet its NH Default Service requirements.

1.5 New Hampshire Customer Groups

For the purposes of this solicitation, the New Hampshire customer groups are defined as:

Customer Group	Rate Class
Small Customer Group	D, D-10, G-3, M, T and V
Large Customer Group	G-1 and G-2

2. Description of Services

2.1 Description

Appendix A contains an overview of the services covered by this Request for Proposal ("RFP"). The Appendix provides:

- A brief description of MA Default Service;
- A brief description of NH Default Service;
- The eligibility requirements for a customer to obtain or leave Default Service;

2.2 Expected Loads

National Grid is unable to predict the amount of load that will be required to meet the needs of each customer group, if any. National Grid's customers are free to leave Default Service at any time to take service from competitive suppliers. The ability of customers to enroll or return to Default Service is described in Appendix A.

On March 14, 2007 the MDTE approved the City of Marlborough's plan for a Municipal Aggregation (Docket D.T.E. 06-102). The City of Marlborough has executed an agreement with a supplier to provide service to residential and business customers in the city. Industrial customers have a 30-day "opt-out" period in which they can choose to remain on National Grid's Default Service and not be switched to the Municipal Aggregation service. In order to allow Bidders to evaluate the impact of this change on National Grid's Industrial Customer Group load in the WCMA Load Zone, National Grid is providing a summary of the customer counts and aggregate loads (by rate class) for the City of Marlborough. National Grid cannot provide individual customer information or hourly loads for the City of Marlborough. National Grid is unable to provide an estimate of how many customers will actually be served by the Municipal Aggregation and how many will choose to remain with National Grid's default service.

To assist Respondents in determining the potential load requirements, National Grid is able to provide the following information on its Power Procurement Web Site:

For MA Default Service:

- Aggregate historical wholesale hourly load information for MA Default Service (since March 1, 1998);
- Aggregate historical wholesale hourly loads for MA Default Service by customer group (since November 1, 2000);
- Historic hourly loads by SMD Load Zone and customer group for MA Default Service (since March 1, 2003);
- Marlboro customer count and aggregate load data;
- Reports showing the number of customers enrolled in various electric services and energy consumption at retail by rate class can be found at the Division of Energy Resource's ("DOER") Electric Deregulation page.

For NH Default Service:

- Aggregate historical wholesale hourly load information for NH Default Service (from December 1, 2002 to April 30, 2006);
- Aggregated historical hourly load information for NH Default Service (since May 1, 2006)
- Aggregate historical wholesale hourly load information for Transition Service by the four customer groups (from July 1, 2002 to April 30, 2006). The Transition Service customer groups are defined as:



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Customer Group	Rate Class
Residential	D, D-10, M & T
Small Commercial	G-3 and V
Medium Commercial	G-2
Industrial	G-1

Note: As a result of Transition Service ending on April 30, 2006, all customers not taking service from a competitive supplier were transferred to either the small customer group or the large customer group of NH Default Service on May 1, 2006. In order to estimate NH Default Service load for the large customer group, the medium commercial and industrial Transition Service and pre May 1, 2006 NH Default Service loads will need to be combined into one service. For the small customer group, the residential and small commercial Transition Service loads will need to be combined into one service.

For All Services:

- Class average load shapes at the retail meter point;
- Historical customer counts, as of the last billing day in each month, by each National Grid company, SMD Load Zone (since March 1, 2003) and rate class. These counts represent the number of active accounts in each rate class as of the last billing day in each month;
- Historical customer counts for customers taking service from a competitive supplier, as of the last billing day in each month, by rate class.
- ICAP tags as of the last day of the month for each load asset.

Please use the following link to access the site:

<http://www.nationalgridus.com/energysupply/>

Click on "Data" at the upper right of the screen to access Load data, Customer Count data, Class Average Load Shapes and ICAP Tags. This site is open to anyone with the above link. No user id or password is required to access the data on the site.

2.3 Load Blocks

National Grid's total Default Service requirements covered by this RFP are broken down into the following four load blocks:

Load Block	Customer Group	SMD Load Zone	Load Share	Type of Service	Period
A	Industrial	SEMA	100%	MA Default Service	08/01/08 – 10/31/08



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B	Industrial	WCMA	100%	MA Default Service	08/01/08 – 10/31/08
C	Industrial	NEMA	100%	MA Default Service	08/01/08 – 10/31/08
D	Large	NH	100%	NH Default Service	08/01/08 – 10/31/08

The load blocks in the SEMA Load Zone include National Grid's customers on the Island of Nantucket.

A Respondent may bid on any number of load blocks that it wishes to serve. A Respondent wishing to serve the entire load for a particular customer group should submit a bid for each load block of that customer group. Respondents may not limit the amount of service that may be purchased for a given load block. Proposals that contain limits on the amount of service provided will be rejected¹⁰.

The amount of load for each load block to be supplied by the winning Supplier(s) will be determined in accordance with the procedure contained in Article 6 of the applicable proposed Master Power Agreement, a copy of which is provided in Appendices B and C.

2.4 Massachusetts Retail Customer Rates

During the term of service covered by this RFP, National Grid intends, in accordance with MDPU orders, to establish retail rates for generation service for MA Default Service customers ("Basic Service Rates"). Such Basic Service Rates will reflect National Grid's purchase costs for such service due to commitments made as a result of this and previous RFPs and those costs associated with arranging MA Default Service (see below).

The retail rates for the industrial customer group will vary by SMD Load Zone based on the winning bids. National Grid will file proposed Basic Service Rates with the MDPU following execution of an agreement(s) with a winning supplier(s). The Basic Service Rates charged to retail customers during the term of service covered by this RFP will be as ultimately approved by the MDPU.

In Docket D.T.E. 02-40-B, the MDTE determined that it is appropriate to include other costs an electric company incurs in providing MA Default Service in its Basic Service Rates. In Docket D.T.E. 03-88-E, the MDTE ordered National Grid to include those costs associated with arranging MA Default Service in its Basic Service Rates. National Grid implemented this change with the Default

¹⁰ For example, a Respondent offering to supply Block A load must agree to supply 100% of the needs of that load block during every month of the Period (for example, 100% of the total load of the Industrial customer group in the SEMA Load Zone). The Respondent may not offer to serve Block A provided that the amount of service purchased does not exceed [specified value] MW in any hour.



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Service Cost Reclassification Adjustment Provision (MDTE No. 1084) to include such charges with the provision of MA Default Service to its customers

2.5 New Hampshire Retail Customer Rates

During the term of service covered by this RFP, National Grid intends, in accordance with the DS Settlement Agreement, to establish retail rates for generation service for NH Default Service customers ("Energy Service Rates"). The Energy Service Rates will reflect National Grid's purchase costs for such service due to commitments made as a result of this RFP. The DS Settlement Agreement also requires National Grid to include in its Energy Service Rates a surcharge to account for the administrative costs associated with NH Default Service. The Energy Service Rates will be as ultimately approved by the New Hampshire Public Utilities Commission ("NHPUC").

2.6 Effectiveness of Contracts (MA and NH only)

Any agreement(s) entered into for the delivery of MA Default Service pursuant to this solicitation will be subject to the MDPU's favorable review of the results of National Grid's solicitation for Default Service. Section 1 of the Massachusetts Master Power Supply Agreement Form of Confirmation addresses the possibility that the MDPU does not favorably review the results of National Grid's solicitation for Default Service.

Any agreement(s) entered into for the delivery of NH Default Service pursuant to this solicitation will be subject to the approval by the NHPUC of the retail rates prior to the agreement(s) becoming effective. Section 1 of the New Hampshire Master Power Supply Agreement Form of Confirmation addresses the possibility that the NHPUC may not approve the retail rates.

Any agreement(s) entered into for the delivery of NH Default Service pursuant to this solicitation will be subject to the approval by the NHPUC of the retail rates prior to the agreement(s) becoming effective. Section 3.1 of the New Hampshire Power Supply Agreement addresses the possibility that the NHPUC may not approve the retail rates.

3. General Provisions

3.1 Terms and Conditions

The winning Supplier(s) will be selected to provide Default Service to the applicable customer groups/load blocks during the term covered by this RFP. Up to four (4) separate Suppliers may be selected – one for each load block. Default Service will be provided by such Supplier(s) to National Grid in accordance with the terms and conditions of the Power Supply Agreements. A copy of the



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proposed Master Power Supply Agreement for Massachusetts is provided in Appendix B, a copy of the proposed Master Power Supply Agreement for New Hampshire is provided in Appendix C. The winning Supplier(s) will be required to execute the applicable Master Power Supply Agreement(s) and confirmations within three (3) business days of being notified that it has been selected as the winning Supplier.

Any suggested modifications to the proposed Agreement(s) are to be included with Respondent's response to this RFP.

3.2 Proposal Process and Submission Dates

The following table outlines the key dates associated with this procurement process.

Process Step	Date
Issue Request for Proposal	May 9, 2008
Submit Respondent Proposal Information and Proposed Agreement Modifications	May 30, 2008– 5pm EPT
Submit Indicative Pricing	June 4, 2008– 10am EPT
Submit Final Pricing	June 11, 2008– 10am EPT
Execute Agreements and Submit solicitation process summary, Agreements and retail rates to MDPU and NHPUC, as applicable	No later than three business days after receipt of all executed agreements.
MDPU Reviews and Approves both Agreements and Basic Service Rates	No later than five business days after filing of Basic Service Rates
NHPUC Reviews and Approves Default Service Rates	No later than five business days after filing of Default Service Rates
Service Begins	August 1, 2008

One (1) copy of a Respondent's Proposal Information and proposed agreement modifications must be received at the following address:

Mr. John D. Warshaw
Regulated Electric Load and Distributed Generation
National Grid
55 Bearfoot Road
Northboro, MA 01532
(508) 421-7357
(508) 421-7335 (fax)
e-mail: john.warshaw@us.ngrid.com

Proposal information may be submitted by facsimile or e-mail.

National Grid is conducting the procurement process in three steps. The first step is for Respondents to provide National Grid with their background information,



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financial information, and proposed agreement modifications by 5:00 p.m. EPT on Friday, May 30, 2008. Upon receipt, National Grid will evaluate each Respondent's qualifications and proposed agreement modifications.

The second step in this process is for Respondents to provide indicative Pricing Information by 10:00 a.m. EPT on Wednesday, June 4, 2008 at the above address. National Grid will evaluate the indicative pricing and request, if required, clarifications from Respondents.

The third step is for Respondents to provide final Pricing Information by 10:00 a.m. EPT on Wednesday, June 11, 2008 at the above address. National Grid intends to evaluate the final pricing and select a Supplier(s) that day. Respondents are requested to specify the manner in which they will accept a binding acceptance of their offer by National Grid prior to receipt of an executed agreement (verbal, letter of intent, e-mail or executed agreement) or they will be deemed to be bound by National Grid's acceptance communicated in any of the preceding manners.

Within three business days of receipt of all executed agreements, National Grid will file with the MDPU and the NHPUC a confidential summary of the solicitation process, the executed agreement(s) and proposed Basic Service Rates or Energy Service Rates, respectively.

Consistent with its rules, the MDPU will have five business days to review the results of National Grid's solicitation for Default Service. If the MDPU takes no action, National Grid's proposed Default Service price will go into effect. If the Department issues an order disapproving or rejecting the results of National Grid's solicitation for Default Service, the agreement between National Grid and Supplier(s) shall become null and void.

Consistent with its rules, the NHPUC will have five business days to either approve the proposed Energy Service Rates or reject them. If the NHPUC denies National Grid's request for approval of the retail rates, the agreement(s) will be void and the parties will have no further obligation under the agreements(s).

National Grid, at its sole discretion, reserves the right to issue additional instructions or requests for additional information, to extend the due date, to modify any provision in this RFP or any appendix thereto and to withdraw this RFP.

3.3 Contact Person/Questions

All questions regarding this Request for Proposal should be directed to John D. Warshaw at the address provided above.

3.4 Right to Select Supplier



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National Grid shall have the exclusive right to select or reject any and/or all of the proposals submitted at any time, for any reason.

4. Service Features

4.1 Commencement Date of Supply

Service from the winning Supplier(s) to National Grid shall begin as of HE 0100 EPT on the date specified in the table found in Section 2.3 – Load Blocks.

Service from National Grid to individual customers who are taking Default Service in each customer group as of the Commencement Date, if any, will continue with the winning Supplier(s) providing such service to National Grid as of the Commencement Date.

Service from National Grid to individual customers taking Default Service as of the Commencement Date shall begin on the customer's meter reading date following notification/determination that a customer will be commencing Default Service or such other date designated by National Grid consistent with National Grid's Tariff for Off Cycle Meter Read For Switch of Supplier Provision, M.D.T.E. No. 1053-A in Massachusetts, or the Off Cycle Meter Read for Switch of Supplier Provision, Original Page 92, of National Grid's *Tariff for Retail Delivery Service for the Period after New England Power Company Divests Substantially All of Its Non-Nuclear Generation, N.H.P.U.C. No. 17* in New Hampshire.

National Grid's procedures provide for customers to be switched from one service option to another (e.g., from Default Service to a competitive supplier, from one competitive supplier to another competitive supplier, from a competitive supplier to Default Service) on their normal cycle meter reading dates. However, there may be circumstances (e.g., default of a competitive supplier) that might require a customer to be switched to Default Service "off-cycle". In such case, the customer will be switched to Default Service on a date designated by National Grid consistent with National Grid's Off Cycle Meter Read For Switch of Supplier Provision, M.D.T.E. No. 1053-A in Massachusetts, or the Off Cycle Meter Read for Switch of Supplier Provision, Original Page 92, of National Grid's *Tariff for Retail Delivery Service for the Period after New England Power Company Divests Substantially All of Its Non-Nuclear Generation, N.H.P.U.C. No. 17* in New Hampshire.

4.2 Termination Date of Supply

Service from the winning Supplier(s) to National Grid shall terminate at HE 2400 EPT on the dates specified in the table found in Section 2.3 – Load Blocks.

Individual customers taking Default Service from National Grid may terminate the service at any time. Terminations may include, but not be limited to, (i) a customer's taking competitive service from a competitive supplier, (ii) disconnection of service by National Grid in accordance with regulations and procedures approved by the MDPU or the NHPUC, or (iii) closing of a customer's account. National Grid's procedures provide for customers electing to terminate such service to be switched to their successor service on their normal cycle meter reading date following the date that National Grid receives notification of such switch. However, there may be circumstances which might require a customer to be terminated "off-cycle". In such a case, the customer will be terminated from Default Service on a date to be determined by National Grid.

4.3 Delivery Points

The Supplier(s) of Default Service will be responsible for delivering power to the nodes/zones representing the actual locations of the Default Service loads. The Supplier(s) of each of the services will be responsible for any PTF losses allocated by the ISO related to the services. The locations of the Default Service load assets are as follows:

Company	SMD Load Zone	Load Asset	Load Asset Name	Load Block
Nantucket	SEMA	10021	NANT-DEF SVC-ICG LOAD	A
MECo	SEMA	7605	DEF SVC-MECO-ICG LOAD 4006	A
MECo	WCMA	7707	DEF SVC-MECO-ICG LOAD 4007	B
MECo	NEMA	7807	DEF SVC-MECO-ICG LOAD 4008	C
GSECo	NH	11437	GSECO-DEF SVC LARGE CG LOAD	D

4.4 Form of Service

The Supplier(s) of each Load Block shall be responsible for meeting the specified service requirements for all of National Grid's customers in a specific Load Block. These service requirements include the generation and/or market procurement and delivery to the delivery point(s) of the portion of the electric capacity, energy and ancillary services required to meet the needs of National Grid's ultimate customers taking such service. National Grid will implement the transfer of these responsibilities to the Supplier(s) by updating the asset registration for each of the above Load Assets. National Grid will assign to the Supplier(s) the applicable Ownership Share for each Load Asset. Once a Supplier's obligation terminates, National Grid will terminate the Supplier's Ownership Share of a Load Asset.



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The Supplier(s) shall be responsible for all obligations, requirements, and costs associated with the Supplier(s) having the Load Asset Ownership Share which shall include but not be limited to the day-ahead load obligations and real-time load obligations at the nodes/zones of each Load Asset. A more complete description of a Supplier(s)'s responsibilities can be found in the proposed Master Power Supply Agreements in Appendices B and C of this RFP.

The Supplier(s) shall be responsible for all decisions and data submissions associated with any bids into the market system to manage these obligations. The Supplier(s) shall be responsible for all components of any Locational Marginal Prices the Supplier must pay in delivery of the services. These components include, but are not limited to, the day-ahead and real-time energy, marginal losses, and congestion charges. As the supplier of such services, the Supplier(s) will be responsible for all present or future requirements and associated costs (to the extent such charges are not imposed on National Grid as a transmission charge by NEPOOL or the ISO) associated with the services and any other requirements, market products, expenses or charges imposed by NEPOOL or the ISO, as they may be in effect from time to time.

The Supplier(s) will also be responsible for all transmission and distribution losses associated with delivery of the electricity from the delivery point to the Default Service customer's meter. A description of the estimation process for determining supplier hourly load can be found in Appendix A of the proposed Master Power Supply Agreements, found in Appendices B and C of this RFP.

National Grid will make arrangements with the ISO for transmission service over the PTF and non-PTF, from and after the Delivery Point to the Customers' meters. National Grid will be billed by the ISO and the applicable Participating Transmission Owner(s) for these services. National Grid will pay these bills and collect the costs, along with National Grid's distribution costs, from its retail customers through its retail delivery service tariffs. Any other transmission or distribution costs will be the Supplier(s)' responsibility.

4.5 Implementation of the Massachusetts Renewable Energy Portfolio Standards ("RPS")

The Massachusetts Act requires the Massachusetts Division of Energy Resources ("DOER") to establish a renewable energy portfolio standard for all retail electricity suppliers selling electricity to end-use consumers in the Commonwealth. These requirements require National Grid to demonstrate that at least three and one half percent (3.5%) in 2008 and four percent (4%) of its electricity sales in 2009 and are supplied from "new" renewable energy generation sources. The DOER has issued final regulations to meet these requirements. The DOER's website contains a section on the Renewable Energy Portfolio requirements, including the final regulations, 225 CMR 14.00.

<http://www.state.ma.us/doer/rps/index.htm>

As requested in Section 5.2 below, National Grid requests Respondents to separately bid the cost of RPS compliance equivalent to 3.5% of sales in 2008. National Grid will have the option to select bids that include or exclude the RPS component.

If National Grid accepts bids with the RPS component, National Grid will require the winning Supplier(s) to utilize the NEPOOL Generation Information System ("NEPOOL GIS") to provide NEPOOL GIS Certificates that comply with the requirements of the RPS regulations. Respondents may propose alternate methods for demonstrating compliance. In each monthly invoice for a service that includes the RPS component, National Grid will take a credit equal to the product of the RPS obligation and the Alternative Compliance Payment. Once a Supplier delivers the required number of NEPOOL GIS Certificates, the credit will be returned to the Supplier.

4.6 Implementation of the New Hampshire Renewable Portfolio Standards ("RPS")

In May, 2007, the State of New Hampshire enacted legislation mandating an electric renewable portfolio standard (NH RSA 362-F). Final regulations are in process to implement the new requirements. Consequently, National Grid will not require bidders to include a bid for RPS requirements but will be including an adder in its calculation of the default service retail rates in order to ensure that customers for whom the company is incurring the RPS obligations will be assessed the cost of the obligation.

5. Proposal Requirements

5.1 Format of Proposal

The information required by National Grid to evaluate each proposal is identified in Appendix D. Respondents may simply complete the forms provided in Appendix D in any legible fashion and return them to John D. Warshaw as provided in Section 3.2. In addition, proposals should contain explanatory, descriptive and/or supporting materials as necessary.

5.2 Proposed Pricing

Respondents must specify the price at which they will provide Default Service for each Load Block on which they are bidding to serve. Purchases will be made on an "as-delivered" energy basis with prices stated on a fixed \$/MWh basis. Such prices may vary by SMD Zone, calendar month and by customer group, but must be uniform for the entire calendar month and cover the entire term of this Request for Proposals.

Prices which contain demand components, minimum purchase requirements or which vary by time-of-use within a calendar month will be rejected. Prices which exclude one or more market costs (e.g. Installed Capability, uplift costs, etc.) may, at National Grid's discretion, be rejected.

National Grid intends to pay a Supplier(s) based on the billing determinants as defined in the proposed Power Supply Agreement. These billing determinants are the loads as reported to the ISO, which include transmission and distribution losses, and exclude any PTF losses allocated to the Supplier by the ISO during the settlement.

National Grid is seeking the following pricing:

- **All-Inclusive Bids:** For each Load Block (A through D), a price which includes all costs. Should National Grid select this option, (1) suppliers would be responsible for all costs including capacity market charges and (2) Suppliers would not be responsible for supplying the RPS component.
- **Pass-Through Bids:** For only the New Hampshire Load Block (D), a price which includes all costs except capacity market costs. Should National Grid select this option, Suppliers would be responsible for all costs including the cost of capacity associated with the New Hampshire Load Blocks which National Grid would pay to the supplier on a pass-through basis based on the Suppliers actual costs subject to an appropriate cap.
- **RPS Compliance:** Price, on a separate \$ per MWh basis for Supplier to provide the RPS component for Load Blocks A through C. Should National Grid select this option, the RPS Compliance Bid price would be added to the All-Inclusive Bid price and the Supplier would provide the applicable quantity of NEPOOL GIS Certificates (see Section 4.5).

On June 16, 2006, the Federal Energy Regulatory Commission ("FERC") issued an Order in Docket No. ER03-563-060 approving a settlement agreement ("FERC Settlement") adopting the Forward Capacity Market ("FCM") as an alternative to ISO-New England, Inc.'s proposal to establish a locational installed capacity mechanism. On October 31, 2006 FERC issued an Order on Rehearing and Clarification denying a request for rehearing and affirming its decision to approve the FERC Settlement. Although consolidated appeals filed by the Maine PUC and Massachusetts and Connecticut Attorneys General in December of 2006 are currently pending in the Court of Appeals for the District of Columbia Circuit, these appeals do not stay implementation of the FCM transition payments that began on December 1, 2006. To address the event that the appeals are successful and market participants are required to make retroactive refunds of the FCM



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transition payments to Suppliers, National Grid will include the following terms in any transactions it enters into as a result of this Request for Proposals:

If the FERC Order #117¶61,133 (2006) ("Order") dated October 31, 2006 regulating the activity of the New England capacity market is challenged on appeal in federal court and the Order is reversed or modified as a result of said appeal such that the effect of the reversal or modification results in refunds or reduced transition payments paid by the Seller, and associated with the Load Assets identified in Section 4 of this Confirmation, then the Seller shall pay to Buyer any such refunds or reduced transition payments. Any such refunds will be paid by Seller to Buyer within five (5) Business Days of receipt by Seller. Seller shall provide information to Buyer in sufficient detail for Buyer to verify accuracy of such refunds. Any such reduced transition payments will be included in the applicable monthly Invoice as a credit to Buyer. Seller shall include in the monthly Calculation that accompanies the monthly Invoice sufficient information for Buyer to verify accuracy of any such credits.

5.3 Terms and Conditions

Service will be provided pursuant to the terms of the proposed Master Power Agreements provided in Appendices B and C. Should a Respondent request National Grid to consider any changes to the proposed terms, such request must be presented to National Grid with its Proposal Information by May 30, 2008.

5.4 New England Market Participation

Each Respondent must indicate whether it has an executed and accepted Market Participant Service Agreement with ISO New England or if it plans to execute an agreement and, if so, at what point it is in the application process and the time frame for completing the process. Respondents must also provide evidence of agreements with a Market Participant if Respondent will have another Market Participant be responsible for its market settlement obligations.

5.5 Competitive Supplier Registration

The service provided by the Supplier(s) of Default Service to National Grid is a wholesale transaction between the Supplier(s) and National Grid; therefore, the Supplier(s) do not have to be licensed or registered suppliers with any state regulatory commission.

5.6 Regulatory Approvals

The Supplier(s) of the services covered by this Request for Proposal must obtain and maintain all necessary regulatory approvals required to enable it to provide the applicable service; such approvals must be obtained prior to August 1, 2008.



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6. Retail Customer Relationships

6.1 Customer Billing

All customers taking Default Service covered by this RFP will be retail customers of National Grid. As the retail provider of such service, National Grid will bill customers for the Default Service provided.

6.2 Customer Bill Inserts in Massachusetts

The Supplier(s) of MA Default Service may furnish a one-page bill insert which National Grid may include in the bill that it sends to each customer taking such service in the applicable customer group and Load Zone in Massachusetts during the delivery term. Bill inserts may be included in only one monthly billing cycle during the term of service. Inserts shall be printed on 60# Mountie Matte paper, shall be three and one-quarter inches high by six and one-quarter inches wide in size and may be of any typeface *except* ITC Century and ITC Franklin Gothic.

The Supplier(s) must inform National Grid at least sixty (60) days prior to the start of the monthly billing cycle in which it seeks National Grid to include its insert in applicable MA Default Service customer bills. National Grid will respond within seven (7) days if it can accommodate the request, provide an estimate of the cost of additional postage to be paid by the Supplier(s) in order to include the insert in the requested monthly billing cycle, or suggest an alternate monthly billing cycle. Customer bill inserts must be received by National Grid at least ten (10) days prior to the start date of its inclusion in customer bills. National Grid will be responsible for including only the number of inserts that are provided to them. National Grid will not be responsible for returning to the Supplier(s) unused inserts unless the Supplier(s) have made arrangements for its return. National Grid reserves the right to schedule bill inserts in order to minimize postage and handling costs.

6.3 Notification of Enrollments and Terminations

National Grid will provide electronic notification to the Supplier(s) of Default Service customer enrollments and terminations within a customer group. Enrollment information will include account number, rate class and commencement date of service. Termination information will include account number, rate class and termination date of service. Such notifications shall only be provided when a Supplier establishes a Windows or Unix file server with capability of sending and receiving File Transfer Protocol ("FTP"), files with Pretty Good Privacy ("PGP"), Encryption/Decryption, and (ii) verifies its ability to transfer files to and receive files from National Grid at least fourteen (14) days prior to the day on which a Supplier desires to commence electronic receipt.



6.4 Customer Service

National Grid, as the retail provider of Default Service, will provide customer service to all customers receiving Default Service.

7. Load Response Program

National Grid fully supports load response programs and has successfully developed and implemented many programs over the years. Respondents are encouraged to include load response programs for various customer groups as part of their proposals. National Grid will work with winning Supplier(s) to implement the proposed load response program during the term of service.

8. Selection Process

The principal criteria to be used in evaluating proposals will include:

- Lowest evaluated bid price by Load Block;
- Respondent's ability to meet the credit requirements established in the proposed Master Power Supply Agreements provided in Appendices B and C;
- Firmness of delivery;
- The supplier's past experience in providing similar services to National Grid;
- The supplier's past experience in providing similar services to other companies in New England;
- The supplier's past experience in providing similar services to other companies in other regions;
- The supplier's demonstrated understanding of its obligations under the proposed Power Supply Agreement; and
- Whether there have been any past or are any present events that are known that may adversely affect the supplier's ability to provide the requirements to National Grid's Default Service customers.

9. Credit Requirements

In order to protect National Grid's Default Service customers from the risk of Supplier(s) default, a winning Supplier(s) must be able to demonstrate it has the financial resources to perform during the term of the agreement. Respondents that are rated by a major credit rating agency must provide the ratings assigned by such agencies. Respondents that are not rated by a major credit rating agency



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must provide the following information to enable National Grid to evaluate a Respondent's financial strength:

- Respondent's organizational history
- Date of establishment
- Initial (if founded within the last ten years) and current capitalization
Certified financial statements, including balance sheets and statements of income and cash flow with respect to the two previous fiscal years and the most recent interim period
- Forms 10-K and 10-Q, submitted to the United States Securities and Exchange Commission for the two previous fiscal years, if applicable;
- Short-term and long-term debt ratings from Moody's Investor Service or Standard & Poor's Corporation
- Corporate affiliates or joint venture partners including any details regarding financial limitations between partners or affiliates.

If a Respondent has provided this information to National Grid or an affiliate in a response to a previous RFP, then the Respondent needs only to identify the date and to whom the information was submitted and update the previously provided information.

National Grid agrees that it will treat the information it receives from Respondents in a confidential manner and will not, except as required by law or regulatory authority, disclose such information to any third party or use such information for any purpose other than in connection with this RFP.

APPENDIX A

DESCRIPTION OF SERVICES

Massachusetts Electric Company Nantucket Electric Company MA Default (Basic) Service	
Description	Electric Service provided to retail customers who are not taking service from a competitive supplier.
Eligibility Requirements	Service to customers can be initiated by: a) A customer notifying National Grid that it wishes to terminate service from its competitive supplier and commence Default Service. b) A competitive supplier notifying National Grid that it is terminating service to a customer. c) A competitive supplier ceasing to provide service to a customer without notifying National Grid. d) A customer moves into National Grid's service territory and does not affirmatively choose a competitive supplier.
Aggregate Number of Customers Taking Service and Historical Load Profiles	Note: Historic customer count data and historical hourly load profiles are available at National Grid's procurement web site: http://www.nationalgridus.com/energysupply/

Granite State Electric Company NH Default (Energy) Service	
Description	Service provided to retail customers who are not taking service from a competitive energy supplier.
Eligibility Requirements	<p>Service to customers is initiated by:</p> <p>a) A customer notifying National Grid that it wishes to terminate service from its competitive energy supplier and commence Default Service.</p> <p>b) A competitive energy supplier notifying National Grid that it is terminating service to a customer.</p> <p>c) A competitive energy supplier ceasing to provide service to a customer without notifying National Grid.</p> <p>d) A customer moves into National Grid's service territory and does not affirmatively choose a competitive energy supplier.</p>
Aggregate Number of Customers Taking Service and Historical Load Profiles	<p>Note: Historic customer count data and historical hourly load profiles are available at National Grid's procurement web site:</p> <p>http://www.nationalgridus.com/energysupply/</p>

APPENDIX B

PROPOSED MASSACHUSETTS MASTER POWER SUPPLY AGREEMENT

APPENDIX C

PROPOSED NEW HAMPSHIRE MASTER POWER SUPPLY AGREEMENT

APPENDIX D

REQUIRED PROPOSAL INFORMATION

RESPONDENT: _____

1. General Information

Name of Respondent	
Principal contact person < Name < Title < Company < Mailing address < Telephone number (office) < Telephone number (cell) < Fax number < E-mail address	
Secondary contact person (if any) < Name < Title < Company < Mailing address < Telephone number (office) < Telephone number (cell) < Fax number < E-mail address	
Legal form of business organization of Respondent (e.g., sole proprietorship, partnership, limited partnership, joint venture, or corporation)	
State(s) of incorporation, residency and organization Indicate whether Respondent is in good standing in all states in which Respondent is authorized to do business and, if not, which states and the reason it is not.	
If Respondent is a partnership, the names of all general and limited partners. If Respondent is a limited liability company, the names of all direct owners.	
Description of Respondent and all affiliated entities and joint ventures transacting business in the energy sector	

RESPONDENT: _____

2. Financial Information

Current debt rating for Respondent (include ratings and names of rating agencies).	
Date Respondent's last fiscal year ended.	
Total revenue for Respondent for the most recent fiscal year.	
Total net income for Respondent for the most recent fiscal year.	
Total assets for Respondent as of the close of the previous fiscal year.	
Copy of the Respondent's most recent balance sheet, income statement and cash flow statement.	
Copy of the Respondent's most recent audited balance sheet, income statement and cash flow statement.	

3. Defaults and Adverse Situations

<p>Describe, in detail, any situation in which Respondent (either individually or as part of a consortium, joint venture or other group), or an affiliate of Respondent, defaulted or was deemed to be in noncompliance of its contractual obligations to transact business in the energy sector within the past five years including, without limitation, to purchase or deliver energy, capacity or other market products at retail or wholesale, or for the purchase or sale of electricity or natural gas, and including any financing agreements or financing provisions of any agreement.</p> <p>Explain the situation, its outcome and all other relevant facts associated with the event.</p> <p>If there was litigation, provide the case caption, index number and court.</p> <p>Identify the name, title and telephone number of the principal manager of the customer/client who asserted the event of default or noncompliance.</p>	
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RESPONDENT: _____

Has Respondent, or any affiliate of Respondent, in the last five years, (a) consented to the appointment of, or was taken in possession by, a receiver, trustee, custodian or liquidator of a substantial part of its assets, (b) filed a bankruptcy petition in any bankruptcy court proceeding, (c) answered, consented or sought relief under any bankruptcy or similar law or failed to obtain a dismissal of an involuntary petition, (d) admitted in writing of its inability to pay its debts when due, (e) made a general assignment for the benefit of creditors, (f) was the subject of an involuntary proceeding seeking to adjudicate that Party bankrupt or insolvent, (g) sought reorganization, arrangement, adjustment, or composition of it or its debt under any law relating to bankruptcy, insolvency or reorganization or relief of debtors.	
Describe any facts presently known to Respondent that might adversely affect its ability to provide the service(s) bid herein as provided for in the RFP	

4. NEPOOL AND POWER SUPPLY EXPERIENCE

Is Respondent a member of NEPOOL?	
Does Respondent have an executed and accepted Market Participant Service Agreement with ISO New England?	
Name of Market Participant if Respondent will have another Market Participant be responsible for its market settlement obligations .	
Describe Respondent's experience and record of performance in the areas of power marketing, brokering, sales, and/or contracting, for the last five years within NEPOOL and/or the New England region.	
Provide three references (name, title and contact information) who have contracted with the Respondent for similar load following services within the last 2 years.	

RESPONDENT: _____

5. CONFLICTS OF INTEREST

Briefly describe any known conflicts of interest between bidder or an affiliate of bidder and Buyer, National Grid USA or any affiliates of the foregoing.	
Enumerate any litigation, claims or complaints asserted by bidder or an affiliate of bidder, against Buyer, National Grid or an affiliate of any of the foregoing.	
Enumerate any litigation, claims or complaints asserted against bidder or an affiliate of bidder by Buyer, National Grid or an affiliate of any of the foregoing.	

6. SCOPE OF BID AND TERMS OF SALE

<p>Will Respondent execute a contract substantially similar to the proposed Master Power Agreements contained in Appendices B, C and D?</p> <p>Explain any proposed modifications.</p>	
List all regulatory approvals required before service can commence.	

RESPONDENT: _____

7. Proposed Pricing (Respondent required to use bidding spreadsheet included on procurement web site)

Massachusetts Default Service

Bid Block	SMD Zone	Customer Group	Period		Monthly Pricing - \$/MWh (all inclusive - without RPS Component)			
			From	To	Aug-08	Sept-08	Oct-08	
A	SEMA	Industrial	01-May-08	31-July-08				
B	WCMA	Industrial	01-May-08	31-July-08				
C	NEMA	Industrial	01-May-08	31-July-08				
RPS Compliance Adder			2008		\$/MWh			

New Hampshire Default Service

Bid Block	SMD Zone	Customer Group	Period		Monthly Pricing - \$/MWh (all inclusive)			
			From	To	Aug-08	Sept-08	Oct-08	
D	NH	Large	01-May-08	31-July-08				
					Monthly Pricing - \$/MWh (pass-through of capacity costs)			
D	NH	Large	01-May-08	31-July-08				