SCHEDULE JDW – 2

Default Service Procurement Summary

NATIONAL GRID
DEFAULT SERVICE PROCUREMENT SUMMARY
FOR THE PERIOD
FEBRUARY 2009 – APRIL 2009

RFP Issued

National Grid issued its Request for Power Supply Proposals ("RFP") on October 31, 2008 directly to over [redacted] suppliers for the service period February 2009 through April 2009.

The RFP was also distributed to all members of the NEPOOL Markets Committee and posted on National Grid's energy supply web site. As a result, the RFP had wide distribution throughout the New England energy supply marketplace.

The procurement was conducted in accordance with applicable New Hampshire rules and regulations including Granite State Electric Company's Second Amended Restructuring Settlement Agreement ("Restructuring Settlement"), RSA 374-F ("New Hampshire Act") and Granite State Electric Company Post-Transition Service Default Service Proposal Settlement Agreement ("New Hampshire Settlement Agreement") approved by the New Hampshire Public Utilities Commission on January 13, 2006 in Order No. 24,577.

This procurement was also conducted in accordance with applicable Massachusetts rules and regulations including the various orders in D.T.E. Dockets 99-60A, 99-60B, 99-60C, 02-40A, 02-40B and 02-40C and was consistent with prior procurements conducted by National Grid.

The RFP sought:

- 100% of the New Hampshire Large Customer Group Default Service requirements for the period February 2009 through April 2009;
- 100% of the Massachusetts Industrial Customer Group Default Service requirements for the period February 2009 through April 2009;

National Grid requested all-inclusive pricing for all blocks and also pass-through (of capacity costs) pricing for only the New Hampshire blocks. Pass-through pricing would have National Grid compensate a supplier at its actual capacity costs subject to appropriate price caps.

These requirements were divided into 4 distinct load blocks. A description of each load block is provided in Attachment 1.

Key RFP Dates

The RFP was issued on October 31, 2008.

Supplier information and contract comments were received on November 24 2008.

Indicative bids were received on December 3, 2008.

Final bids were received on December 10, 2008.

Contract Submissions

All bidders had previously executed Master Power Agreements with National Grid and so contract revisions were unnecessary.

Indicative Bids

Indicative bids were received on December 3, 2008 from [redacted] bidders.

The indicative bids were evaluated and ranked (see Attachments 2 and 3). Indicative pricing was used only to determine current market price, to prepare an initial ranking of bids and to identify any bidding anomalies. The retail prices in Attachment 3 were calculated by adjusting the wholesale prices in Attachment 2 by the ratio of wholesale purchases to retail deliveries over the twelve-month period ending November 30, 2008.

The lowest indicative bids for each load block were compared to National Grid's estimate of expected indicative bids based on two methodologies.

One method estimates expected bid prices based on [redacted]

The second method estimates expected bid prices based on [redacted]

In evaluating the bid prices, National Grid compared the average expected bid prices for each block from the two methods above to the lowest average indicative bid price for the block. [redacted]

[redacted]

[redacted]

In addition to evaluating the bid price and ability to meet credit requirements, National Grid also performed a qualitative review of each bidder's ability to provide Default Service during the service period based on the following:

- The bidder's past experience in providing similar services to National Grid or its affiliates;
- The bidder's past experience in providing similar services to other companies in New England;
- The bidder's past experience in providing similar services to other companies in other regions;
- The bidder's demonstrated understanding of the market rules related to the provision of Default Service;
- The bidder's demonstrated understanding of its obligations under the proposed Purchase Power Agreement; and
- Whether there have been any past or are any present events that are known that may adversely affect the bidder's ability to provide Default Service.

National Grid concluded that all bidders were qualified to provide Default Service and would be capable of providing any required contract security.

Regulatory Communication

The results of the New Hampshire indicative bids were shared with staff of the New Hampshire Public Utilities Commission ("NHPUC") on December 3, 2008.

The results of the Massachusetts indicative bids were shared with staff of the Massachusetts Department of Public Utilities ("MADPU") on December 9, 2008.

Final Bids

Final bids were received on December 10, 2008 from [redacted] bidders.

The final bids were evaluated and ranked (see Attachments 6 and 7) [redacted]

A summary of the number of conforming bids per block is provided in the following table:

Block - # Bids	Block - # Bids	Block - # Bids
[redacted]	[redacted]	[redacted]
[redacted]		

Capacity Cost Treatment

On March 6, 2006 ISO-NE filed a settlement agreement with FERC in the LICAP proceeding which provides for a forward capacity market beginning in 2010. As an interim measure, ISO-NE has instituted a transitional market beginning in December 2006. On June 15, 2006 the FERC approved the filing with no changes. On November 1, 2006 the FERC issued an Order denying all requests for rehearing and upheld its original conclusions that the settlement agreement represents a just and reasonable outcome consistent with the public interest. Since then a number of parties have filed appeals of the FERC ruling in federal court. On March 28, 2008 the DC Circuit issued its decision regarding the appeals and remanded the matter back to the FERC. The DC Circuit has granted the parties time to seek rehearing of its decision. Due to the pending rehearing appeals, National Grid required all suppliers to agree to provide to National Grid any refunds or reduced capacity payments incurred if the pending appeals result in refunds or reduced transition payments during the period of this RFP.

As a result of the pending appeals in Federal Court regarding the forward capacity market, the staff of the New Hampshire Public Utilities Commission recommended that National Grid continue to request bidders to (i) submit a price that includes the cost of all market products in an as-delivered energy rate ("All Inclusive Bid Price") and (ii) submit a second price that includes all market products on an as-delivered energy basis except the capacity market costs which would be paid as an additional cost on a pass through basis of actual costs ("Pass Through Bid Price") for the February 2009 - April 2009 period.

An analysis of the indicative bids showed that the value bidders placed on capacity was less than National Grid's forecast of capacity costs. A summary of the New Hampshire indicative bids can be found in Attachment 8. National Grid calculated capacity values based on a transition payment of $3.75/kW-month in the approved capacity market settlement and available market data. A summary of this calculation can be found in Attachment 9.

As required by the New Hampshire Settlement Agreement, National Grid shared the indicative bids with the staff of the New Hampshire Public Utilities Commission and indicated that it would accept final bids on an all-inclusive basis if the capacity costs in the final bids were consistent with those received in the indicative bids. The staff agreed with this recommendation.

The capacity value provided by the lowest bidder in its final bids was less than National Grid's expected values. National Grid awarded the New Hampshire supply on an all-inclusive basis. Locking in the capacity costs eliminates the actual load risk that would be associated with the cost of the pass-through option. A summary of the New Hampshire final bids can be found in Attachment 10.

Analysis and Award

The lowest final bids for each load block were compared to National Grid's estimate of expected bids based on the two methodologies described above (see Indicative Bids). The calculations of these expected prices can been found in Attachments 11 and 12.

[redacted]

[redacted]

Due to the competitive nature of the bids received for these blocks (more than one bid received in response to an open, competitive solicitation and the bids falling within the expected cost range when adjusted for current capacity costs), National Grid awarded supply for each block based on the lowest bid price.

Attachment 13 provides a summary of the winning supplier for each block as well as the basis for the award. Attachment 14 provides a bidder key to help identify bidders.

Renewable Portfolio Standard

The Massachusetts load covered by this RFP is subject to a 4% Renewable Portfolio Standard ("RPS") requirement in calendar year 2009.

National Grid evaluated the cost of obtaining the RPS certificates associated with the load requirements from the bidders versus its most recent solicitation for RPS certificates [redacted] certificate) and an estimated 2009 ACP rate of $60.08 per certificate. National Grid decided to include RPS requirements for those winning bidders that were at or below [redacted] per REC. Attachment 15 provides an analysis of the proposed RPS cost adders contained in the final bids. These range from [redacted] per 2009 certificate.

The winning Bidders the RPS cost adders were lower than National Grid's target. National Grid agreed to include the RPS adder in the purchase price.

New Hampshire Renewable Energy Portfolio Standard

National Grid evaluated the cost of obtaining the NH-RPS certificates associated with the load requirements from the bidders versus making an ACP for the load. As shown in Attachment 15, the winning bidder's NH-RPS value was slightly lower than ACP. National Grid believes that these prices are too close to ACP and will instead purchase NH-RPS certificates through a separate solicitation at a later date.

Retail Rate

The expected retail rates, excluding administrative cost adders, were based on the wholesale bids that were awarded supply in the current procurement and are not blended with costs incurred in other procurements.

All retail rates were calculated [redacted]

A summary of the final retail rates for each block is provided in Attachment 16.

ATTACHMENT 1
LOAD BLOCK DESCRIPTIONS

Load Block	Customer Group	SMD Load Zone	Load Share	Type of Service	Period
A	Industrial	SEMA	100%	MA Default Service	02/01/09 – 04/30/09
B	Industrial	WCMA	100%	MA Default Service	02/01/09 – 04/30/09
C	Industrial	NEMA	100%	MA Default Service	02/01/09 – 04/30/09
D	Large	NH	100%	NH Default Service	02/01/09 – 04/30/09

ATTACHMENT 2
INDICATIVE BID RANKING AT WHOLESALE ($/MWh)
BLOCKS A – D

[redacted]

ATTACHMENT 3
INDICATIVE BID RANKING AT RETAIL (¢/kWh)

[redacted]

ATTACHMENT 4
ESTIMATED INDICATIVE PRICES
[redacted]
FEBRUARY 2009 – APRIL 2009 PERIOD

[redacted]

ATTACHMENT 5
ESTIMATED INDICATIVE PRICES
[redacted]
FEBRUARY 2009 – APRIL 2009 PERIOD

[redacted]

ATTACHMENT 6
FINAL BID RANKING AT WHOLESALE
WITHOUT RPS ($/MWh)
BLOCKS A – D

[redacted]

ATTACHMENT 7
FINAL BID RANKING AT RETAIL WITHOUT RPS (¢/kWh)
BLOCKS A – D

[redacted]

ATTACHMENT 8
COMPARISON OF INDICATIVE BIDDER CAPACITY COSTS TO NGRID CAPACITY COSTS FOR NEW HAMPSHIRE LARGE LOADS ($/MWH)

[redacted]

ATTACHMENT 9
NGRID CALCULATED VALUE OF CAPACITY COSTS

		FORECAST					
		Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	
(a)	Seasonal Claimed Capability	33,013	33,013	33,013	33,013	33,013	
(b)	not used						
(c)	Pool Generation UCAP	33,013	33,013	33,013	33,013	33,013	
(d)	Load Response & ODR	2,781	2,781	2,781	2,781	2,781	
(e)	ICAP Credits (HQICC, NYPA, other)						
(f)	ICAP Import Contracts						
(g)	ICAP Imports contracts & credits	3,367	3,367	3,367	3,367	3,367	
(h)	ICAP Import Rights exercised & granted						
(i)	Actual Imports as % of Import Rights						
(j)	Pool Total Supply UCAP	39,161	39,161	39,161	39,161	39,161	
							RFP Period Average
(k)	Granite Large UCAP Obligation (#11437)	84.386	84.386	84.386	84.386	84.386	
(l)	UCAP %	0.22%	0.22%	0.22%	0.22%	0.22%	
(m)	UCAP Cost	$316,448	$316,448	$316,448	$316,448	$316,448	
(n)	Granite Large RT Load	**17,117**	**22,402**	**21,518**	**17,117**	**22,402**	
(o)	UCAP Rate - $/MWh	$18.49	$14.13	$14.71	$18.49	$14.13	$16.04

	12/01/2006	06/01/2008	06/01/2009
Notes	12/01/2006	06/01/2008	06/01/2009
Transition Payment	$3,050	$3,750	$4,100

(a) From ISO-NE SCC Report issued February 1, 2008
(b) not used
(c) Either: (X) From ICAP monthly settlement SR_MTHSTLICAP report (Actual) or (Y) ISO-NE SCC Report
(d) From ICAP monthly settlement SR_MTHSTLICAP report
(e) From ICAP monthly settlement SR_MTHSTLICAP report
(f) From ICAP monthly settlement SR_MTHSTLICAP report
(g) Either: (X) Sum of rows (c) through (f) (actual) or previous year's ICAP imports
(h) Either: (X) From most recent ICAP monthly settlement SR_MTHSTLICAP report, or (Y) sum of grandfathered rights
(i) Row (g) Divided by Row (h) (actual) or last actual monthly value (forecast)
(j) Either: (X) sum of rows (c) through (f) (actual) or (Y) sum of rows (c) through (g) (forecast)
(k) Either: (X) From most recent SD_MTHSTLICAPLAOWNER monthly settlement report, or (Y) product of row (g) times row (
(l) Either: (X) row (h) divided by row (g) or (Y) last actual % calculated
(m) Row (h) times Transition Payment
(n) **Either: (X) sum of hourly load reported to the ISO during the month or (Y) forecast of hourly load using NGRID system forecast**

Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	
		21,518	**17,117**	**22,402**	

(o) Row (j) divided by row (k)

ATTACHMENT 10
COMPARISON OF FINAL BIDDER CAPACITY COSTS TO NGRID CAPACITY COSTS FOR NEW HAMPSHIRE LARGE LOAD($/MWH)

[redacted]

ATTACHMENT 11
ESTIMATED FINAL PRICES
[redacted]
FEBRUARY 2009 – APRIL 2009 PERIOD

[redacted]

ATTACHMENT 12
ESTIMATED FINAL PRICES

[redacted]

FEBRUARY 2009 – APRIL 2009 PERIOD

[redacted]

ATTACHMENT 13
SUMMARY OF LOAD BLOCK AWARDS

Load Block	Customer Group	Load Zone	Supplier	Basis for Award
A	Industrial	SEMA	[redacted]	Lowest bidder in Block
B	Industrial	WCMA	[redacted]	Lowest bidder in Block
C	Industrial	NEMA	[redacted]	Lowest bidder in Block
D	Large	NH	[redacted]	Lowest bidder in Block

ATTACHMENT 14
BIDDER KEY

[redacted]

ATTACHMENT 15
SUMMARY OF RPS BIDS

[redacted]

ATTACHMENT 16
RETAIL RATES BASED ON FINAL BID PRICES (¢/kWh)

[redacted]