

**PROCEDURES OF NSTAR ELECTRIC COMPANY
TO IMPLEMENT THE
FEDERAL ENERGY REGULATORY COMMISSION'S
STANDARDS OF CONDUCT – ORDER No. 717**

I. APPLICABILITY

These Procedures apply to the relationship between (i) the Transmission Function Employees of NSTAR Electric Company ("NSTAR Electric"), the Transmission Provider, and (ii) NSTAR Electric's Electric and Gas Energy Supply Department, the Marketing Function of NSTAR Electric with only one Marketing Function Employee.

II. GENERAL PRINCIPLES

(a) The Transmission Provider's employees engaged in Transmission Functions must function independently from the Marketing Function employees.

(b) The Transmission Provider must treat all Transmission Customers, affiliated and non-affiliated, on a non-discriminatory basis, and must not operate its transmission system to preferentially benefit its Marketing Function Employees.

III. DEFINITIONS

(a) Affiliate means:

- (1) Another person that controls, is controlled by or is under common control with, the specified entity. An affiliate includes a division of the specified entity that operates as a functional unit.
- (2) For any exempt wholesale generator (as defined under 18 C.F.R. § 366.1), affiliate shall have the meaning set forth in 18 C.F.R. § 366.1, or any successor provision.

(b) Control (including the terms "controlling," "controlled by," and "under common control with") as used in these Procedures includes, but is not limited to, the direct or indirect authority, whether acting alone or in conjunction with others, to direct or cause to direct the management policies of an entity. A voting interest of 10 percent or more creates a rebuttable presumption of control.

(c) Internet Website refers to the Internet location where an interstate

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natural gas pipeline or a public utility posts the information, by electronic means, required under the Standards of Conduct in 18 C.F.R. Part 358.

NSTAR Electric's Internet Website is

http://www.nstar.com/business/rates_tariffs/open_access/.

(d) Marketing Functions means:

- (1) In the case of public utilities and their affiliates, wholesale sales of electric energy in interstate commerce, or the submission of offers to sell in interstate commerce, of electric energy or capacity, demand response, virtual transactions, or financial or physical transmission rights.

Marketing Functions do not include:

- (i) Bundled retail sales or
 - (ii) Sales of electric energy made by providers of last resort (POLRs) acting in their POLR capacity.
- (2) In the case of interstate pipelines and their affiliates, the sale for resale in interstate commerce, or the submission of offers to sell in interstate commerce, natural gas, subject to the following exclusions:
 - (i) Bundled retail sales,
 - (ii) Incidental purchases or sales of natural gas to operate interstate natural gas pipeline transmission facilities,
 - (iii) Sales of natural gas solely from a seller's own production,
 - (iv) Sales of natural gas solely from a seller's own gathering or processing facilities, and
 - (v) Sales by an intrastate natural gas pipeline, by a Hinshaw interstate pipeline exempt from the Natural Gas Act, or by a local distribution company making an on-system sale.

(e) Marketing Function Employee means an employee, contractor, consultant or agent of a Transmission Provider or of an affiliate of a Transmission Provider who actively and personally engages on a day-to-

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day basis in Marketing Functions. Marketing Function Employees include all persons who negotiate or provide input into the details of wholesale power sales contracts.

Marketing Function Employees do not include:

- (1) Persons who set general negotiation parameters for wholesale power sales contracts; or
- (2) Persons who review, approve or execute wholesale power sales contracts; or
- (3) Persons who negotiate or provide input into the details of contract negotiations for power purchases serving retail and wholesale load.

NSTAR Electric's Marketing Function Employees include one Marketing Function Employee in NSTAR Electric's Electric and Gas Energy Supply Department.

(f) Open Access Same-time Information System or OASIS refers to the Internet location where a public utility posts the information required by 18 C.F.R. Part 37, and where it may also post the information required to be posted on its Internet Web site by 18 C.F.R. Part 358.

For purposes of these Procedures, the OASIS is the OASIS of NSTAR Electric at <http://www.oatioasis.com/NSTR/index.html>.

(g) Transmission means electric transmission, network or point-to-point service, ancillary services or other methods of electric transmission, or the interconnection with jurisdictional transmission facilities, under 18 C.F.R. Part 35; and natural gas transportation, storage, exchange, backhaul, or displacement service provided pursuant to subparts B or G of 18 C.F.R. Part 284.

(h) Transmission Customer means any eligible customer, shipper or designated agent that can or does execute a transmission service agreement or can or does receive transmission service, including all persons who have pending requests for transmission service or for information regarding transmission.

(i) Transmission Functions means the planning, directing, organizing or carrying out of day-to-day transmission operations, such as:

- (1) Transmission system operation and management, including maintenance and switching;

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- (2) Reliability;
- (3) Interconnections;
- (4) Granting and denying transmission requests; and
- (5) Performing system impact studies in response to transmission service requests.

For Standards of Conduct purposes, Transmission Functions do not include performing transmission planning.

(j) Transmission Function Employee means an employee, contractor, consultant or agent of a Transmission Provider who actively and personally engages on a day-to-day basis in Transmission Functions.

The Transmission Function Employees of NSTAR Electric are the employees of Transmission Business Strategy, Transmission Engineering, System Planning, Substation Engineering, 345 kV Transmission Project, and Transmission Functions within Electric Operations.

(k) Transmission Function Information means information relating to Transmission Functions.

- (1) Transmission Function Information includes information such as:
 - (i) Transmission system information (e.g., ATC and customer tie-line data), including historic data;
 - (ii) System status, including line loading, equipment status, scheduled outages, curtailments, schedules and loading alarms, including historic data; and
 - (iii) Transmission operating procedures.
- (2) Transmission Function Information does not include information that does not pertain to day-to-day transmission operations, such as:
 - (i) Information about transmission construction; and
 - (ii) Information about transmission planning.

(l) Transmission Provider means:

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- (b) Any public utility that owns, operates or controls facilities used for the transmission of electric energy in interstate commerce; or
- (2) Any interstate natural gas pipeline that transports gas for others pursuant to subparts B or G of 18 C.F.R. Part 284.
- (3) A Transmission Provider does not include a natural gas storage provider authorized to charge market-based rates.

NSTAR Electric is the Transmission Provider.

IV. INDEPENDENT FUNCTIONING

(a) General rule. A Transmission Provider's Transmission Function Employees must function independently of its Marketing Function Employees, except as otherwise permitted by the Federal Energy Regulatory Commission ("Commission").

(b) Separation of functions.

- (1) A Transmission Provider is prohibited from permitting its Marketing Function Employees to:
 - (i) Conduct Transmission Functions; or
 - (ii) Have access to the system control center or similar facilities used for transmission operations that differs in any way from the access available to other Transmission Customers.

NSTAR Electric's system control center is located at a completely different physical location than its Marketing Function Employees. Additionally, access to the system control center is restricted via key card access to employees of NSTAR Electric involved in performing Transmission Functions. Computer databases for the Transmission Functions of NSTAR Electric are password protected and are separate from the computer databases for the Marketing Functions.

- (2) A Transmission Provider is prohibited from permitting its Transmission Function Employees to conduct Marketing Functions.

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The Transmission Function Employees of NSTAR Electric function independently of the one Marketing Function Employee of NSTAR Electric. The Transmission Function Employees of NSTAR Electric report organizationally to a separate Vice President than the Marketing Function Employee of NSTAR Electric.

- (3) Notwithstanding any other provisions in this section, in emergency circumstances affecting system reliability, the Transmission Provider may take whatever steps are necessary to keep the system in operation, including exchanging certain non-public Transmission Function Information (see Section VI(h) below). The Transmission Provider must make a record of the exchange as soon as practicable after the fact. The Transmission Provider shall make the record available to the Commission upon request. The record may consist of handwritten or typed notes, electronic records such as e-mails and text messages, recorded telephone exchanges, and the like, and must be retained for a period of five years.

In the event that ISO New England or the NSTAR Electric Control Center declares a system emergency, and such emergency requires any deviation from the Standards of Conduct, the relevant operator will notify NSTAR Electric's Chief Compliance Officer as soon as practicable after the emergency. In addition, in the event of such a declared emergency, the relevant operator may ask NSTAR Electric's Marketing Function Employee to assist in the operation of the transmission system.

- (4) The Transmission Provider's Transmission Function Employees are permitted to share support employees and field and maintenance employees with its Marketing Function Employees.

Certain in-house lawyers and employees in human resources, Information Services, Accounting and Finance, Revenue Requirements, Regulatory Policy and Rates, and Risk Management support the operations of the Transmission Function and the Marketing Function of NSTAR Electric. Field and maintenance employees of NSTAR Electric provide support for the transmission and distribution system of NSTAR Electric.

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- (5) The Transmission Provider's Transmission Function Employees are permitted to share with its Marketing Function Employees senior officers and directors who are not Transmission Function Employees or Marketing Function Employees.

The shared managers of the Transmission Function Employees of NSTAR Electric and the Marketing Function Employee of NSTAR Electric are not Transmission Function Employees or Marketing Function Employees. Intermediate managers are responsible for the supervision of Transmission Functions, including contract execution. In accordance with Section V(b) of the Procedures, the shared managers also do not act as a conduit to share Transmission Function Information with NSTAR Electric's Marketing Function Employee.

- (6) The Transmission Provider's Transmission Function Employees are permitted to share risk management employees that are not engaged in Transmission Functions with their Marketing Function Employees.

NSTAR Electric's risk management employees are shared by its Transmission Function Employees and the Marketing Function Employee. However, all such activities are restricted to activities associated with corporate-level risk management, and do not involve customer-specific activities.

V. NO CONDUIT RULE

- (a) Basic rule. A Transmission Provider is prohibited from using anyone as a conduit for the disclosure of non-public Transmission Function Information to its Marketing Function Employees.
- (b) Employees, contractors, consultants or agents. An employee, contractor, consultant or agent of a Transmission Provider, and an employee, contractor, consultant or agent of an Affiliate of a Transmission Provider that is engaged in Marketing Functions, is prohibited from disclosing non-public Transmission Function Information to any of the Transmission Provider's Marketing Function Employees.
- (c) Officers, directors, managers or other supervisory personnel. A Transmission Provider may share non-public Transmission Function Information with its officers, directors, managers or other supervisory personnel who are not Marketing Function Employees. Officers, directors, managers or other supervisory personnel must not act as a conduit for the

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disclosure of non-public Transmission Function Information to its Marketing Function Employees.

(d) The no conduit rule also applies to customer information. Customer information is non-public information about a Transmission Customer's transmission service. This includes information about the customer's request for service and transmission usage.

NSTAR Electric employees will be trained to report immediately, via telephone, email or direct communication, any information disclosure violations directly to the Chief Compliance Officer.

VI. TRANSPARENCY RULE

(a) Contemporaneous disclosure.

- (1) If a Transmission Provider discloses non-public Transmission Function Information, other than information identified in 18 C.F.R. §358.7(a)(2), in a manner contrary to the requirements of § 358.6, the Transmission Provider must immediately post the information that was disclosed on its Internet Web site.
- (2) If a Transmission Provider discloses, in a manner contrary to the requirements of 18 C.F.R. § 358.6, non-public Transmission Customer information, critical energy infrastructure information (CEII) as defined in 18 C.F.R. § 388.113(c)(1) or any successor provision, or any other information that the Commission by law has determined is to be subject to limited dissemination, the Transmission Provider must immediately post notice on its Website that the information was disclosed.

Employees will be trained to report immediately, via telephone, email or direct communication, any disclosure of non-public Transmission Function Information directly to the Chief Compliance Officer. After being notified pursuant to these Procedures, the Chief Compliance Officer will direct compliance with posting requirements to the OASIS administrator, and will ensure that such posting is completed.

(b) Exclusion for specific transaction information. A Transmission Provider's Transmission Function Employee may discuss with its Marketing Function Employee a specific request for Transmission Service submitted by the Marketing Function Employee. The Transmission Provider is not required to contemporaneously disclose information

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otherwise covered by § 358.6 if the information relates solely to a Marketing Function Employee's specific request for transmission service.

(c) Voluntary consent provision. A Transmission Customer may voluntarily consent, in writing, to allow the Transmission Provider to disclose the Transmission Customer's non-public information to the Transmission Provider's Marketing Function Employees. If the Transmission Customer authorizes the Transmission Provider to disclose its information to Marketing Function Employees, the Transmission Provider must post notice on its Internet Website of that consent along with a statement that it did not provide any preferences, either operational or rate-related, in exchange for that voluntary consent.

The Transmission Provider must inform the Chief Compliance Officer of any request by a Transmission Customer to share information with a Marketing Function Employee not less than two business days before the information is to be shared. The Chief Compliance Officer shall ensure that the required information is posted prior to the time at which the information is shared.

(d) Posting written procedures on the public Internet. A Transmission Provider must post on its Internet Website current written procedures implementing the Standards of Conduct.

These Procedures implement the Standards of Conduct and they are posted on NSTAR Electric's Internet Website.

(e) Identification of Affiliate information on the public Internet.

- (1) Names and addresses. A Transmission Provider must post on its Internet Website the names and addresses of all its Affiliates that employ or retain Marketing Function Employees.

This information may be found on NSTAR Electric's Internet Website.

- (2) Shared facilities. A Transmission Provider must post on its Internet Website a complete list of the employee-staffed facilities shared by any of the Transmission Provider's Transmission Function Employees and Marketing Function Employees. The list must include the types of facilities shared and the addresses of the facilities.

This information may be found on NSTAR Electric's Internet Website.

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- (3) Potential mergers. The Transmission Provider must post information concerning potential merger partners as Affiliates that may employ or retain Marketing Function Employees, within seven days after the potential merger is announced.

This information may be found on NSTAR Electric's Internet Website.

(f) Identification of employee information on the public Internet.

- (1) Job titles and descriptions. A Transmission Provider must post on its Internet Web site the job titles and job descriptions of its Transmission Function Employees.

This information may be found on NSTAR Electric's Internet Website.

- (2) Transfers. A Transmission Provider must post a notice on its Internet Website of any transfer of a Transmission Function Employee to a position as a Marketing Function Employee, or any transfer of a Marketing Function Employee to a position as a Transmission Function Employee. The information posted under this section must remain on its Internet Website for 90 days. No such job transfer may be used as a means to circumvent any provision of 18 C.F.R. Part 358. The information to be posted must include:

- (i) The name of the transferring employee,
- (ii) The respective titles held while performing each function (i.e., as a Transmission Function Employee and as a Marketing Function Employee), and
- (iii) The effective date of the transfer.

NSTAR Electric's Transmission Function Employees and Marketing Function Employees are not precluded from transferring among such functions as long as such transfer is not used as a means to circumvent the Standards of Conduct.

The Transmission Business Strategy department will be responsible for ensuring that the Human Resources department notifies the Chief Compliance Officer of transfers into and out of the Transmission Function of NSTAR Electric.

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Any transfers that are covered by this section of the Procedures must be reported to the Chief Compliance Officer not less than one business day prior to the effective date of the transfer. The Chief Compliance Officer will then notify the OASIS administrator to post such information. All other information required to be posted will be reviewed periodically by the Chief Compliance Officer to determine when it should be updated.

This information may be found on NSTAR Electric's Internet Website.

(g) Timing and general requirements of postings on the public Internet.

- (1) A Transmission Provider must update on its Internet Website the information required by 18 C.F.R. Part 358 within seven business days of any change, and post the date on which the information was updated. A public utility may also post the information required to be posted under 18 C.F.R. Part 358 on its OASIS, but is not required to do so.
- (2) In the event an emergency, such as an earthquake, flood, fire or hurricane, severely disrupts a Transmission Provider's normal business operations, the posting requirements in this part may be suspended by the Transmission Provider. If the disruption lasts longer than one month, the Transmission Provider must so notify the Commission and may seek a further exemption from the posting requirements.
- (3) All Internet Website postings required by 18 C.F.R. Part 358 and this Procedure must be sufficiently prominent as to be readily accessible.

(h) Exclusion for and recordation of certain information exchanges. Notwithstanding the requirements of 18 C.F.R. §§ 358.5(a) and 358.6, a Transmission Provider's Transmission Function Employees and Marketing Function Employees may exchange certain non-public Transmission Function Information, as follows:

- (1) Information pertaining to compliance with Reliability Standards approved by the Commission, and
- (2) Information necessary to maintain or restore operation of the transmission system or generating units, or that may affect the dispatch of generating units.

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In these cases, the Transmission Provider must make and retain a contemporaneous record of all such exchanges except in emergency circumstances, in which case a record must be made of the exchange as soon as practicable after the fact. The Transmission Provider shall make the record available to the Commission upon request. The record may consist of handwritten or typed notes, electronic records such as e-mails and text messages, recorded telephone exchanges, and the like, and must be retained for a period of five years.

(i) Posting of waivers. A Transmission Provider must post on its Internet Website notice of each waiver of a tariff provision that it grants in favor of an Affiliate, unless such waiver has been approved by the Commission. The posting must be made within one business day of the act of a waiver. The Transmission Provider must also maintain a log of the acts of waiver, and must make it available to the Commission upon request. The records must be kept for a period of five years from the date of each act of waiver.

This information may be found on NSTAR Electric's Internet Website.

VII. IMPLEMENTATION REQUIREMENTS

(a) Effective date. A Transmission Provider must be in full compliance with the Standards of Conduct on the date it commences transmission transactions with an Affiliate that engages in Marketing Functions.

(b) Books and records. A Transmission Provider must maintain its books of account and records (as prescribed under 18 C.F.R. Parts 101, 125, 201 and 225) separately from those of its Affiliates that employ or retain Marketing Function Employees, and these must be available for Commission inspections.

NSTAR Electric, the Transmission Provider, maintains separate books of account and records from its Affiliate that employs or retains Marketing Function Employees.

(c) Compliance measures and written procedures.

(1) A Transmission Provider must implement measures to ensure that the requirements of Independent Functioning Rule and No Conduit Rule, 18 C.F.R. §§ 358.5 and 358.6 respectively, are observed by its employees and by the employees of its Affiliates.

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- (2) A Transmission Provider must distribute these Procedures to all its Transmission Function Employees, Marketing Function Employees, officers, directors, supervisory employees, and any other employees likely to become privy to transmission function information.

NSTAR Electric will provide these Procedures to all its Transmission Function Employees, Marketing Function Employees, officers, directors, supervisory employees, and any other employees likely to become privy to transmission function information on an annual basis .

(d) Training and compliance personnel.

- (1) The Transmission Providers must provide annual training on the Standards of Conduct to all its Transmission Function Employees, Marketing Function Employees, officers, directors, supervisory employees, and any other employees likely to become privy to transmission function information within the first 30 days of their employment. The Transmission Provider must require each employee who has taken the training to certify electronically or in writing that s/he has completed the training.

NSTAR Electric shall provide training on the Standards of Conduct to all its Transmission Function Employees, Marketing Function Employees, officers, directors, supervisory employees, and any other employees likely to become privy to transmission function information within the first 30 days of their employment and on an annual basis thereafter.

- (2) A Transmission Provider must designate a Chief Compliance Officer who will be responsible for Standards of Conduct compliance. The Transmission Provider must post the name of the Chief Compliance Officer and provide his or her contact information on its Internet Website.

NSTAR Electric's Chief Compliance Officer is Douglas S. Horan. The Chief Compliance Officer is responsible for:

- (i) Ensuring the timely posting on the OASIS, as required by these Procedures;

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- (ii) Updating these Procedures as necessary to maintain compliance with the Standards of Conduct;
- (iii) Overseeing or conducting Standards of Conduct training of all employees, officers and directors who are required to receive training by these Procedures and maintaining signed certificates of training for all persons who have received such training;
- (iv) Distributing the Standards of Conduct procedures to employees in compliance with Section VII(c)(2);
- (v) Serving as a point of contact for questions or concerns relating to compliance with the Standards of Conduct and these Procedures. The Chief Compliance Officer can be reached at (617) 424-2635 or douglas.horan@nstar.com;
- (vi) Ensuring compliance with the Standards of Conduct and these Procedures through periodic audits and reviews of compliance and, where necessary, taking action to ensure compliance;
- (vii) Retaining for five years records of evaluations and audits of Standards of Conduct compliance and actions taken to ensure compliance or correct instances of non-compliance with the Standards of Conduct; and
- (viii) Receiving all reports of non-compliance with the Standards of Conduct and/or these Procedures and taking necessary corrective actions, including, where necessary, the posting of information on the OASIS.

VIII. NON-DISCRIMINATION REQUIREMENTS.

- (a) A Transmission Provider must strictly enforce all tariff provisions relating to the sale or purchase of open access transmission service, if these tariff provisions do not permit the use of discretion.

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(b) A Transmission Provider must apply all tariff provisions relating to the sale or purchase of open access transmission service in a fair and impartial manner that treats all Transmission Customers in a not unduly discriminatory manner, if the tariff provisions permit the use of discretion.

(c) A Transmission Provider may not, through its tariffs or otherwise, give undue preference to any person in matters relating to the sale or purchase of transmission service (including, but not limited to, issues of price, curtailments, scheduling, priority, ancillary services, or balancing).

(d) A Transmission Provider must process all similar requests for transmission in the same manner and within the same period of time.

NSTAR Electric's Transmission Function Employees have been instructed that they may not, through tariffs or otherwise, give preference to its Marketing Function Employee over any other wholesale customer in matters relating to the sale or purchase of transmission service.