RTO Governance Best Practices and Needed Improvements
American Public Power Association
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Voting Allocation in New England ISO: Entities Representing For-Profit Generators/Power Marketers Get 42% of vote. Consumers get 3%.
Sector Voting System

- 58% approval required
- Generation Owners (21.5%)
- Other Suppliers (21.5%)
- Transmission Owners (20%)
- End-Use Consumers (20%)
- Public Power (17%)
- Power Authorities (8%)
- Municipals & Co-ops (7%)
- Environmental Parties (2%)
- Government Advocate & Retail Aggregators (1.8%)
- Statewide Advocate (2.7%)
- Small Consumers (4.5%)
- Large Consumers-Industrial (9%)
- Large Consumers-Government (2%)
ELECTRICITY RESTRUCTURING

FERC Could Take Additional Steps to Analyze Regional Transmission Organizations’ Benefits and Performance

Table 4: Estimated Stakeholder Meetings by RTO, Calendar Year 2007

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<tbody>
<tr>
<td>Number of Stakeholder Meetings</td>
<td>57*</td>
<td>184*</td>
<td>611</td>
<td>280</td>
<td>330</td>
<td>202*</td>
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IN ASSEMBLY

January 9, 2013

Introduced by M. of A. CAHILL, JACOBS, GUNTHER, MARKEY, WRIGHT, ZEBROWSKI, JANTZEN, RUSSEL, STEVENS, LUVADO, COOK, MOY, SCHIMEL -- Multi-Sponsored by -- M. of A. GLICK, SCARBROUGH, NIECE -- read once and referred to the Committee on Corporations, Authorities and Commissions

(d) The commission shall ensure accountability by requiring that an independent system operator’s board of directors includes at least three non-governmental appointments that directly represent the interests of residential small business and farm electricity users. The governor, the speaker of the assembly and the temporary president of the senate shall each appoint one representative to the board.

(e) The commission shall require an independent system operator to create the position of consumer liaison whose primary role shall be to interact with members of the end-use sector for the purposes of:
Constellation Energy Settlement

- **On March 9, 2012, Constellation** paid a $135M civil penalty and disgorgement of $110M in unjust profits.
  - Of the $110M, funds were established “for the benefit of electric energy consumers in the affected states” in the following amounts: NYISO $78M; ISO-NE $20M; and PJM $6M.
    - $1.2M of the PJM allocation is dedicated to the creation of a new non-profit the **Consumer Advocates of the PJM States**. This is a one-time, non-recurring payment.
    - Of NYISOs $78M, only $10M is dedicated “to support consumer advocacy in the NYISO wholesale electric markets” in $1M annual payments for a decade.
    - **No consumer advocate functions funded with ISO-NE’s share.**
Reforming FERC

IN SEARCH OF A CONSUMER ADVocate, RTO CHANGES

By Tyson Suecoff

While media coverage of recent Federal Energy Regulatory Commission actions against banks for market manipulation and false statements portrays a new, get-tough look for the agency, one can just as easily conclude the opposite: The interconnection exposes a commission scrambling to keep up with increasingly intricate manipulation strategies in overly complex markets, with the agency seemingly several steps behind. Indeed, investigations—against Barclays, J.P. Morgan, Deutsche Bank and Constellation—demonstrate that FERC’s experiment with voluntary RTO markets is in need of reform. The ease with which financial entities are able to game the market illustrates that broader market reforms—and not just discreet enforcement actions—are needed. More than a decade after Fason, the organized markets are unnecessarily complex, plagued with uncompetitive practices, and their operations too opaque. Their only saving grace is that low natural gas prices are keeping marginal costs down, thereby shielding the public from the huge price increases these markets produced only a few years ago. Absent reforms, the trickle of manipulation cases will turn into a flood. Public Citizen recommends two actions: Establish an Office of Consumer Advocate at the commission, and revival RTO governance by reforming stakeholder voting rights.

In the 1970s, states began establishing state utility consumer advocate offices after it had become clear that simply having a state utility commission wasn’t enough to protect consumers. Today, these offices promote transparency and help to ensure that household consumers have an effective voice in the often complex world of state utility regulation. Additionally, in 1978 an Office of Public Participation was proposed at FERC as part of PURPA. But because the office was never appropriated, it was never created.

FERC was a sleepy agency in 1979 with limited jurisdiction when Congress felt the need to create an office to help consumers participate in FERC proceedings. FERC now has sweeping authority over power markets, but few truly understand what the agency does. Navigating the myriad filings an FERC library require advance knowledge of which dockets are significant—leaving resource-strapped public interest advocates unable to master a presence. At the state level, consumer advocates play a critical role networking in, units at FERC, they are nowhere to be found.

FERC serve as a liaison with the consumer community to ensure that organizations representing the public interest are engaged in important proceedings.
Public Citizen’s RTO Governance Reform Proposal

• Establish an Office of Consumer Advocate at FERC, complete with intervenor funding authority. FERC Chairman Wellinghoff endorsed this in 2009 Senate testimony.

• RTOs must establish permanent consumer advocate offices with dedicated annual funding and operational independence, including providing intervenor funding.

• RTO voting allocations for all end consumers—industrial, commercial, residential—should represent 50% of total votes.

• RTO Board of Directors should include more than one nongovernmental representative for household consumers.