

RTO Governance Best Practices and Needed Improvements

American Public Power Association

October 17, 2013

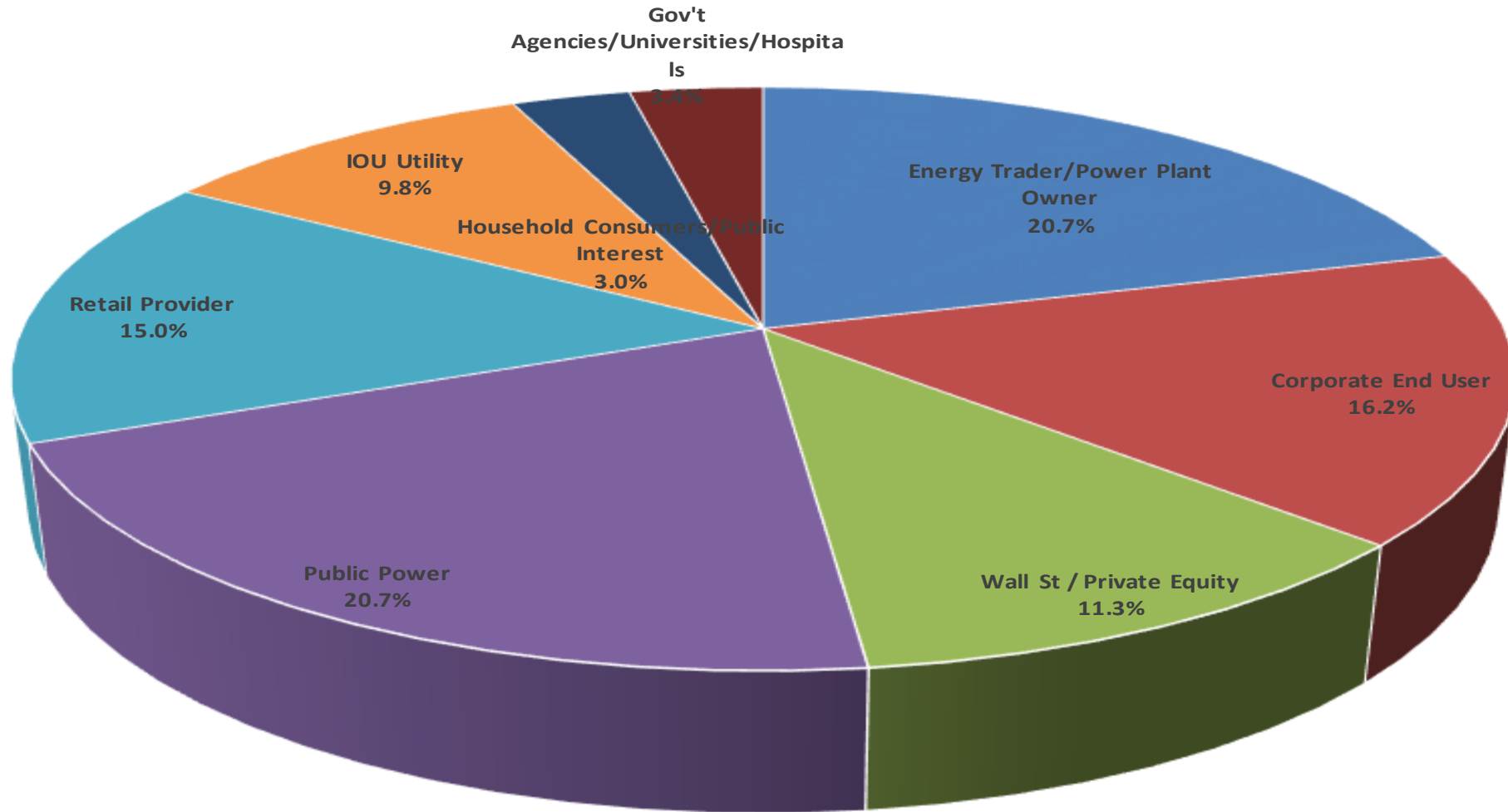
Tyson Slocum, Director

Public Citizen's Energy Program

Twitter @TysonSlocum

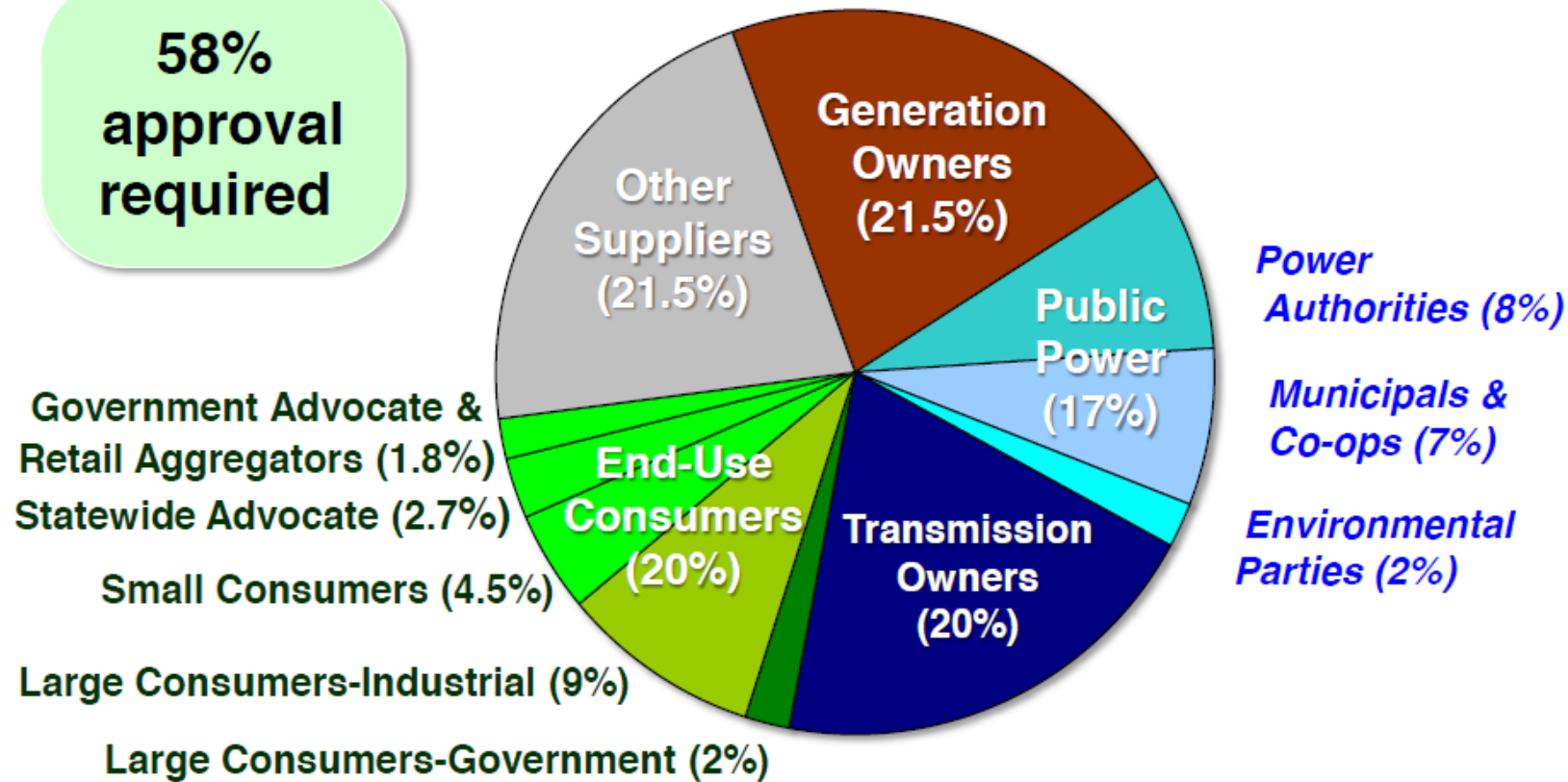
tslocum@citizen.org

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**



September 2008

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

RTO	California ISO	ISO New England	Midwest ISO	New York ISO	PJM	Southwest Power Pool
Number of Stakeholder Meetings	57 ^a	184 ^b	611	280	330	202 ^c

Sources: California ISO, ISO New England, Midwest ISO, New York ISO, PJM, and Southwest Power Pool.

STATE OF NEW YORK

1095

2013-2014 Regular Sessions

IN ASSEMBLY

(Prefiled)

January 9, 2013

Introduced by M. of A. CAHILL, JACOBS, GUNTHER, MARKEY, WRIGHT, ZEBROW-
SKI, JAFFEE, RUSSELL, STEVENSON, LUPARDO, COOK, MOYA, SCHIMEL --
Multi-Sponsored by -- M. of A. GLICK, SCARBOROUGH, SWEENEY -- read
once and referred to the Committee on Corporations, Authorities and
Commissions

AN ACT to amend the public service law, in relation to providing over-
sight and monitoring the operations of an independent system operator

(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.](#)

(GUEST OPINION)

Reforming FERC

IN SEARCH OF A CONSUMER ADVOCATE, RTO CHANGES // BY TYSON SLOCUM



▶ 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 enforcements expose a commission scrambling to keep up with increasingly intricate manipulation strategies in overly complex markets, with the agency seemingly several steps behind. Indeed, the 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 Enron, 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 improve 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.



COUNTER
POINT

FERC was a sleepy agency in 1978 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 on FERC's eLibrary requires advance knowledge of which dockets are significant – leaving resource-strapped public interest advocates unable to muster a presence. At the state level, consumer advocates play a critical role weighing in, while at FERC, they are nowhere to be found.

FERC serves as a liaison with the consumer community to ensure that organizations representing the public interest are engaged in important proceedings.

Continued on page 54

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.