

October 15, 2003

Bob Hiney Talking Points for FERC SMD Conference panel 3

Governance

- Statements reflect the general views of the members of the Public Power and Environmental Sector of the NYISO Governance.
- Mention Chair and Vice Chair role of the NYISO Management Committee in 2001/2002.
- In the SMD White paper FERC has suggested that the final SMD rule will add to its previous order principals on how to structure independent governance.
- In forming the NYISO in 1999 market participants, representing all sectors, engaged in extensive negotiations to establish a governance process which was ultimately approved by the Commission. The resulting NYISO governance reflects a delicate balance of the varied market participant interests and has functioned effectively since the ISO start-up in late 1999.
- As Chair of the Management Committee I saw first hand the workings of the NYISO governance and found that, while there were bumpy roads at times, in the end decisions were made that have consistently improved the functioning of the NYISO market. I believe the debates, disagreements and collaboration that occur among the varied NY market participants are an integral and necessary part of a healthy governance process in the NYISO.
- By sharing in some of the decision making power, market participants have an incentive to narrow their differences, and resolve issues rather than merely

advocate their positions to the ISO Board. To the extent we are successful, this process results in less work for FERC commissioners.

- I raise these points with respect to my experience with the success of the NYISO governance process to impress upon the Commission the value of not being overly prescriptive with respect to governance.
- One interpretation of the SMD white paper is that the Commission may intend to mandate a reconsideration of the existing ISO governance structure. We urge the Commission to reconsider this position, if indeed it is the Commission's goal to standardize governance structures with the final rule. Regional differences should be allowed to persist.
- A mandated governance structure would once again raise difficult and contentious issues that have already been settled in NY. While I am not here to say NY has the perfect governance structure, the resources and time that would be necessary to re-open debate on a governance structure that has functioned effectively since 1999 would divert attention away from important issues facing the NYISO market.
- In its order, the Commission should acknowledge that there is not a one size fits all governance structure and should give latitude to areas where approved governance structures are already in place, such as we have in NY.
- Finally, the existing governance structure provides a forum for market participants to pursue governance changes if such changes are deemed necessary by the market participants. The Commission should allow changes to existing governance to come from within the RTO/ISO and not mandate a change in the final rule.

