FERC Technical Conference on Allocation of RTO Functions

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ISO New England's Historic Support for Binary RTO Model

ISO New England comments on RTO NOPR:

- Form follows function
- Complementary strengths

January 2001 NERTO proposal reflected a binary ISO-ITC model

Petition noted benefits of binary model:

- Profit-driven ITC facilitates prompt transmission expansion and best maintenance practices
- Impartiality of non-profit ISO as market operator, lead for transmission planning, fairness of real-time operations

New England – New York RTO Proposal

Agreement between ISO-NE and NYISO signed January 28th

Development of an RTO including those regions, plus common market design and cooperative transmission arrangements with NPCC Canadian entities electing to participate

Terms of the agreement:

- Specifically accommodates the formation of ITCs
- RTO plan development (with TOs, state regulators and other stakeholders) calls for consideration of issues related to ITCs

First meeting with NY and NE stakeholders on this proposal is February 21st in Hartford

One or more ITCs may develop in NY and NE, and in Canada

ISO-NE wants to listen carefully to views of TOs, state regulators and other stakeholders on the allocation of responsibilities

ISO New England's observations (Question 1)

Core principle: In a binary model, RTO responsibilities should be allocated to an ISO in areas in which the perception and reality of independence and financial impartiality are important

Such areas include:

1) Planning:
   - New England regional expansion planning process involves soliciting not only transmission projects, but generation and demand-side alternatives
   - ISO staff performs needs assessment, independent ISO Board makes final plan decisions based on consideration of full range of alternatives
   - Expansion planning process is similar to PJM's

ISO New England's observations (Question 1, cont'd)

Other areas include:

2) Market operations

3) OASIS administration

4) Security coordination

ISO New England's observations (Questions 2 and 3)

Question 2: Regional vs. sub-regional administration

- Where multiple control areas within a single RTO, some functions need to be performed at the sub-regional level
- Some operational and reliability functions need to be performed at sub-regional level even within a single control area (by "satellites"), subject to RTO oversight/procedures

Question 3: transmission-vs.-market distinction

- Distinction is helpful, but not dispositive: in LMP systems, transmission is tightly tied to markets

ISO New England's observations (Question 4)

Question 4: Relation between functional responsibilities and business model or incentive structure

- Business model (assuming independence standards are met) perhaps less important than incentive structure in influencing functional allocation
- ISO New England supports incentives for transmission expansion and maintenance that will foster reliable and competitive markets
- Incentives obviously must be appropriate to the entity and directly tied to areas of management control