



October 21, 2010

Commissioner John R. Norris

FEDERAL ENERGY REGULATORY COMMISSION

STATEMENT

Docket Nos. AD10-5-000

Item No. A-4

Statement of Commissioner John R. Norris on RTO Performance Metrics

"We have seen significant changes in our nation's electricity markets over the past 10 years. We have experienced the emergence and maturing of competitive wholesale electricity markets around the country, and the creation of RTOs/ISOs regulated by the Commission. The result of this evolution has been a paradigm shift - organized, wholesale electricity markets are now the norm in large sections of the country, and wholesale competition in general is the norm everywhere.

I believe that organized RTO/ISO markets serve an essential role in our nation's energy future, encouraging competition in wholesale electricity supply and fostering the integration of renewables and demand-side resources into our energy mix. While I support the continued evolution and maturation of these markets, I strongly believe that we must be vigilant in our oversight, to make sure that the markets are truly open and competitive.

Legitimate questions have been raised about the costs associated with the RTO/ISO markets and the results they are producing, and these questions deserve further consideration. The Commission bears a responsibility to evaluate the results we are seeing in RTO/ISO markets, to ensure that they are producing fair and open competition, just and reasonable rates, and benefits to consumers.

As a result, we must look critically at market outcomes. While I support RTOs/ISOs, I do not think that we should be afraid to ask the hard questions about organized markets and make an honest assessment of whether they are living up to expectations.

I believe that the staff report on RTO performance metrics is an appropriate starting point. The team did a good job responding to the concerns raised in the September 2008 GAO report. GAO emphasized the need for metrics in order to empirically review whether RTO/ISOs have produced all of the benefits that were envisioned when they were created.

In some sense, the GAO report asked the Chairman to compare "what is" to "what might have been." This is a question that is difficult, if not impossible, to answer. To truly answer this, we would need to look into a crystal ball to assess where each region that is currently in an RTO/ISO would have been in terms of costs and other market fundamentals, absent forming an RTO/ISO. I do not think we have that crystal ball. Multiple interconnected decisions were made by numerous parties in the RTO/ISO regions when they chose to restructure their markets and form their RTO/ISO, and I am not sure there is a metric or set of metrics that can capture all of these moving parts.

Despite these concerns, I believe the RTO metrics will be a valuable component of our oversight, helping us look at how we can improve RTO/ISO performance. Use of the RTO metrics will give us necessary data to help the Commission and the public assess whether the RTO/ISO markets are bringing the benefits to consumers that FERC thought they would when it encouraged their formation. If we find that they are not producing these results, then we need to seriously consider necessary adjustments.

And if the metrics themselves are not providing us with the right information, we need to reassess the questions asked and consider what additional information we might need."