



## 1 P R O C E E D I N G S

2 COMMISSIONER BROWNELL: Welcome, Chairman Bill  
3 Flynn and invisible Vice Chairman Paul Afonso. Thank you  
4 for being here by phone.

5 Are you calling from home or did you actually get  
6 out this morning?

7 MR. AFONSO: We're delayed, but I will get out.  
8 Thank you for making the phone available for us.

9 COMMISSIONER BROWNELL: We certainly appreciate  
10 your leadership and are glad that you could be here.

11 I'm going to just do some opening remarks,  
12 largely about what we're going to do here today and about  
13 process.

14 I thank all my colleagues for being here. I know  
15 you have many demands on your time.

16 As you know, we were charged with establishing a  
17 Joint Board by Congress to look at economic dispatch and to  
18 look at what's working and what we might do better, and for  
19 the states to make recommendations to the FERC, who will  
20 then present our reports to Congress. I emphasize that  
21 because I think it's important to recognize that this is a  
22 state-driven process. So I will be asking my vice-chairs to  
23 take the lead after today in drafting the recommendations  
24 and the gist of the report.

25 There was an effort by our staff to provide you

1 with a summary of what they learned at the earlier meeting  
2 and any comments that we might have received in the  
3 intervening months since November.

4 I appreciate very much the work of John Reese in  
5 New York and Ron LeCompte, who spent a lot of time working  
6 with our staff to draft. After today we'll turn that over  
7 to our vice-chairs for further refinement and drafting.  
8 We'll offer whatever support we might do. But I think that  
9 it's important that the leadership be taken on.

10 This morning what we'll do is have a quick  
11 summary by Hari Singh from our staff of what you have  
12 received. Then we'll go over the recommendations to see  
13 what people have to add or expand, or in some cases I think  
14 there have been some suggestions that some of these  
15 recommendations could be consolidated.

16 Then we'll move on to whatever extra  
17 recommendations people have. We had several yesterday that  
18 were very good. And at that point -- and I'm reading my  
19 notes here because I messed this up yesterday -- we will  
20 have some period of comment. We'll work out the details and  
21 keep you posted on that. But if you have any additions when  
22 you return after today, any data requests particularly, we  
23 need to get those in quickly so that we can begin to move  
24 forward.

25 I would remind everyone simply of this: There is

1 a particular directive from congress here. The top is  
2 economic dispatch. I think there's some thought: Wouldn't  
3 it be fun to go back and revisit every issue that has been  
4 decided over the last ten years. That may be good sport,  
5 and I encourage anyone who wishes to engage in it to go  
6 right ahead. But that's not what Congress asked us to do.

7 To the extent that there are recommendations  
8 outside of economic dispatch, we can make them. And  
9 yesterday it was decided that whatever doesn't meet the  
10 economic dispatch test will go in a special category of  
11 further issues that someone might wish to explore.

12 I think I would ask you to keep that focus and  
13 discipline so we can get to the task. I think it's a great  
14 opportunity not only to show that the federal and state  
15 jurisdictional entities can work together, but I think also  
16 we have a laboratory. We're not in theory any more -- you  
17 are in the actual labs where these are being tested. And I  
18 think it's a great opportunity to refine and make better and  
19 engage in incremental improvements.

20 With that, I thank you for your involvement. I'm  
21 going to turn it over to Vice-Chair Flynn and Mr. Afonso.

22 MR. FLYNN: Thank you very much.

23 I'm going to be very quick. I'm going to save  
24 all my energy for the followup, all the work that the states  
25 have to do here afterwards, as Nora actually put it.

1                   I want to thank everybody for coming today,  
2 especially my colleagues. I do want to point out one  
3 person, and that's the president of the New York ISO, Mark  
4 Lynch, who is with us today.

5                   Thanks for coming, Mark.

6                   I'll just turn it over to Paul and we'll get  
7 going.

8                   MR. AFONSO: Thank you. I'll be brief so you  
9 won't have any background noise here.

10                  Let me thank my colleagues from the New England  
11 area for their help, in particular Gordon Van Welie and his  
12 colleagues at the ISO. I think we're on our way to a very  
13 good product.

14                  Let me thank the FERC for some of the concepts  
15 they've already put on the table for us to consider. I  
16 think we'll take the opportunity to learn today and get down  
17 to business and draft up some good positions and reports up  
18 to the FERC.

19                  Thank you, Bill.

20                  Thank you, Madam Chair, for your help in plugging  
21 me in today. And hopefully we'll go down the stretch.

22                  Thank you all.

23                  COMMISSIONER BROWNELL: Thanks, Paul.

24                  Hari, if you would come up to the table.

25                  Hari Singh is going to give us a quick summary.

1 I know you have all memorized the report on your way here in  
2 between dockets that you have to deal with.

3 Hari, if you would just give us an idea, just  
4 once again review for everybody how this report was  
5 developed.

6 MR. SINGH: Thank you, Commissioner.

7 The report basically has three sections. It  
8 gives an introduction of economic dispatch and reviews  
9 economic dispatch. It has two parts to it: There is the  
10 day-ahead commitment and there is the real-time dispatch  
11 function in it.

12 The second part of the report talks about how  
13 economic dispatch is done in the region, in the Northeast  
14 and the New York ISO and ISO New England. So it kind of  
15 sums up actually the input we received, the formation of the  
16 New York Power Pool, NEPOOL, and how things evolved over the  
17 years.

18 This is kind of a unique part of the country  
19 because of all the regions that we look at this is where  
20 economic dispatch has the longest history, if you will.

21 The third part of the report is really the  
22 critical one. This is based on the transcript of the first  
23 meeting. All the presentations that were made at the  
24 meeting and the comments we received afterwards, and also  
25 comments made at the meeting, there is no effort in the

1 report I think to add to what was in the record. It's based  
2 entirely on what was in the record. And it summarizes  
3 issues that were found in the record, and also certain  
4 observations.

5 So there were three general observations. One of  
6 them was what are the benefits of economic dispatch. There  
7 was not a precise measure found in the record but there were  
8 various figures. \$100 billion a year. Mr. Lynch from the  
9 New York ISO has offered that up. And there were a number  
10 of other figures mentioned in the transcript.

11 The second was what are the benefits of the  
12 markets in general. Even though the focus of the meeting  
13 was on benefits of economic dispatch, there was a lot of  
14 discussion in the record on benefits of markets. So that's  
15 another issue.

16 And the third issue that we found was efficient  
17 versus economic dispatch. This was something that came up  
18 from the DOE report. It relates to dispatch based on offer  
19 prices which may not give you the same result that you would  
20 have if you did dispatch based on heat rates. So there was  
21 some concern by some participants on that issue.

22 In terms of the recommendations on economic  
23 dispatch, the ones that are in the report and in the record  
24 are as follows: Should there be a wider geographic scope in  
25 the northeast? It really comes down to we have economic

1 dispatch in New England and we have economic dispatch in New  
2 York. But should it be broadened to cover both, and  
3 possibly even across the interties with external regions.

4 If you look in the transcript the specific  
5 discussion comes down to a proposal called virtual regional  
6 dispatch and the alternative of making changes on things  
7 like the granularity of scheduling, changing it from one  
8 hour to perhaps 15 minutes. There was a reference to a  
9 proposal called ITS. The participants in the meeting had  
10 different views on this. Some -- for example, National Grid  
11 -- favored regional dispatch and thought it was a good idea.  
12 Others thought that this should be left to market  
13 participants. And there were also some concerns expressed  
14 on costs and implementation.

15 The second issue was on uniform price auction.  
16 Some people raised concerns that high gas prices had, under  
17 the construct of single price auctions, resulted in a lot of  
18 wealth transfer. And this part of the transcript then went  
19 back into the argument we had at the beginning of  
20 restructuring: Do you save money by doing pay as bid? Are  
21 you better off doing uniform price auctions? The result of  
22 it was because people seemed to think there would be a big  
23 benefit changing, that there would be a lot of complexity.

24 COMMISSIONER BROWNELL: Hari, were there not some  
25 studies into the record by Gordon Van Welie that had been

1 done addressing this issue, and they are a part of the  
2 docket?

3 MR. SINGH: They are a part of the docket. They  
4 are also available on the FERC website, the study that was  
5 done after the California power crisis to examine the same  
6 issue.

7 There was concern about improvements in modeling  
8 of operation and transmission constraints. This related to  
9 the security constrained part of security constrained  
10 economic dispatch. This is the area where it seems from a  
11 technical perspective there is a lot of focus on how can you  
12 better model generating operating constraints, the ramp  
13 rates and so on between commitment and dispatch, how can you  
14 better model transmission constraints.

15 There were concerns expressed in the meeting on  
16 uplift in New England in particular, and also in New York.  
17 And uplift usually comes when you don't model the  
18 transmission constraints in the dispatch software, but then  
19 you manually dispatch units afterwards to deal with specific  
20 constraints. When you do that you reflect this in the  
21 market price. So you have to pay them out of the market.

22 Another issue was demand response. The  
23 transcript indicated that this is already being done,  
24 particularly in New England. And there was a concern  
25 expressed on improvements that could be realized in market

1 transparency. This came from the assumed benefits of  
2 markets. One of them is that they're transparent.

3 Bid data is released with a six-month time lag  
4 and some participants wanted it to be shortened. In  
5 particular the participants that supported this were  
6 National Grid, as I recall, and also the demand side, NSTAR.  
7 The buyer said that they would benefit as well for a shorter  
8 period of time, as in the case of NSTAR. The transcript  
9 indicated a reference to a one-month time lag. ISO New  
10 England -- specifically Gordon Van Welie -- indicated that  
11 this is something that would be taken up in committees in  
12 ISO New England.

13 COMMISSIONER BROWNELL: Can I interrupt one  
14 second?

15 For anyone who is speaking, we literally need to  
16 lean into the mike, as awkward as that may seem, because  
17 people can't hear.

18 Hari, I have a question on the bid data. Six  
19 months versus whatever. My recollection is that there was  
20 also some discussion by New England that they would be  
21 willing to consider that. Is that correct?

22 MR. SINGH: Yes. That is in the transcript as  
23 well.

24 COMMISSIONER BROWNELL: What did they say? And  
25 how did the FERC respond? I don't want to speak for them.

1           MR. SINGH: I don't recall if we actually said  
2 anything on it. But Gordon Van Welie said they would be  
3 receptive to such a proposal and it should be brought up in  
4 the Committee structure.

5           COMMISSIONER BROWNELL: In the Committee  
6 structure there or perhaps -- This has been a big issue for  
7 the states, as I go around the country. It might be  
8 something that people want to consider as a recommendation.

9           MR. SINGH: Definitely. That's why we put it up  
10 in the Staff report.

11           There was also concern about better utilizing the  
12 interconnection with external areas. So while there was a  
13 lot of focus on perhaps more efficient economic dispatch by  
14 going over the seams between New York and New England, there  
15 were also external areas with Quebec and with PJM.

16           One of the concerns of the people from National  
17 Grid was there is the possibility for including the  
18 coordination with Canada. For example, if you reduce the  
19 flow to New York by three megawatts you gain a little bit  
20 more on the import capability to New England. To work out a  
21 solution like this involves the agreement of multiple  
22 parties. It's an issue that people have been looking at in  
23 the past. And people have looked at it some more.

24           Finally, there were concerns expressed on the way  
25 capacity markets have been working or not working. And

1 while this doesn't relate directly with economic dispatch  
2 per se, but it was an issue that was brought up so we put it  
3 in.

4 In addition to the issues that were raised in  
5 this first meeting there were also certain issues mentioned  
6 in the DOE report on economic dispatch that they felt should  
7 be considered. They are also included in this report.

8 Thank you.

9 COMMISSIONER BROWNELL: Thank you, Hari. Stay,  
10 because I just want to be sure -- Let's put this in two  
11 parts.

12 Are there any questions on the body of the report  
13 as it exists? And then we'll review the actual  
14 recommendations themselves. But while Hari is here, do we  
15 have any questions for him?

16 (No response.)

17 COMMISSIONER BROWNELL: Okay, Hari. You're  
18 getting off Scot-free. Thank you very much.

19 Now I'm going to turn it over to my vice-chair,  
20 the gallant Mr. Flynn, to go over the recommendations one by  
21 one to see if anyone has any comments. Or if you love them  
22 all, we've got a couple of hours that we're free. We can go  
23 sledding up on Capitol Hill and lots of interesting  
24 activities.

25 MR. FLYNN: That sounds better for me, coming

1 from New York where there was a lot of snow over the  
2 weekend.

3 Let's go through the first one here. The first  
4 one is further improvements in market transparency. I'll  
5 read this verbatim here for everybody:

6 "A proposal was made to allow  
7 market bid data to be released  
8 with a less than six-month lag.  
9 It was supported by at least one  
10 other party. ISO New England  
11 stated it was open to suggestions  
12 on making market bid data  
13 available with a shorter lag time  
14 and that this should be pursued  
15 through the appropriate committee  
16 process."

17 Any comments?

18 (No response.)

19 MR. FLYNN: Going once; going twice.

20 Well, I've been given -- It doesn't say anything about  
21 ISO -- the New York ISO. But unless I'm corrected, I  
22 believe they have the same stance as New England does. Is  
23 that correct?

24 MR. LYNCH: That is correct.

25 MR. FLYNN: That is a correct remark. Okay. Great.

1           The second recommendation is the wider geographic scope  
2 of economic dispatch. Some participants recommended further  
3 improvements in regional economic dispatch through  
4 improvements in transaction scheduling across regional  
5 interfaces by market participants on a shorter time frame  
6 than is available currently, while others favored a stronger  
7 integration using a virtual regional dispatch model.

8           Any comments other than the ones already cited in the  
9 record?

10           (No response.)

11           MR. FLYNN: Once. Twice. Two for two.

12           COMMISSIONER BROWNELL: Where were you guys yesterday?  
13 Wow.

14           (Laughter.)

15           COMMISSIONER BROWNELL: We could have used you in PJM  
16 and MISO. I guess you've been spending so much quality time  
17 together on other issues.

18           (Laughter.)

19           MR. FLYNN: At the risk of jinxing myself, I'll just  
20 make a quick comment about that.

21           I've been on the Commission for a little over two years  
22 now. Whether it's issues like this or others, I can tell  
23 you from the New England states and our Commission, to the  
24 New England ISO and the New York ISO, the relationship, the  
25 communications, the respect, I can't imagine it being much

1 better. We have a wonderful working relationship. Many  
2 times we agree to disagree. But it's always done in a  
3 professional manner. And I think that may be reflected in  
4 some of the non-responses here today.

5 So now that I've jinxed myself, John Goldberg will have  
6 something to say.

7 (Laughter.)

8 MR. GOLDBERG: New England and New York are much  
9 further ahead than most of the rest of the country.  
10 Probably the reason we don't have as much to say is because  
11 much of this is already in effect and we're talking about  
12 minor refinements as opposed to major changes in the states.

13 COMMISSIONER BROWNELL: Then I think we ought to have a  
14 mentoring program for some of the other states.

15 (Laughter.)

16 COMMISSIONER BROWNELL: God forbid that anyone who  
17 wants to use the experience that other people have already  
18 been through. You know, we have to reinvent it because it's  
19 so much fun to go through the stakeholder process. But that  
20 may be my recommendation to this report.

21 MR. FLYNN: We'll be more than happy.

22 The third recommendation: Improvements in modeling of  
23 unit operational constraints and transmission constraints in  
24 economic dispatch. Several participants noted the need to  
25 better reflect security constraints in the security

1 constrained economic dispatch.

2 Nora, you have a check here. Would you like to make a  
3 comment?

4 COMMISSIONER BROWNELL: Yes. I remember this as being  
5 kind of an interesting discussion that there were in fact,  
6 even with experience, a number of instances in which manual  
7 overrides of the system were being used and having  
8 potentially a distortion area effect on the economic  
9 dispatch models. I don't have a recommendation for the  
10 solution. But I think this recommendation probably needs  
11 further study.

12 And maybe that is the recommendation: That we need a  
13 better analysis of what might be going on. That rang a bell  
14 with me when I reviewed this and remembered our meeting in  
15 Boston.

16 MR. FLYNN: Thank you.

17 Anyone else?

18 (No response.)

19 MR. FLYNN: Okay. The fourth: Incorporation of demand  
20 response into economic dispatch. Some participants called  
21 for better integration of demand response into economic  
22 dispatch and for state regulators and RTOs to work together  
23 on this.

24 Any comments?

25 MR. GOLDBERG: Demand response is something everybody

1 in New England feels very strongly about. It's something we  
2 do want to see worked on more in every aspect.

3 MR. FLYNN: I second that motion in terms of New York's  
4 interests. There's a great interest not only at the  
5 Commission but the ISO, and quite frankly, stakeholders as a  
6 whole, in demand response. We, too, value this very much  
7 moving forward.

8 COMMISSIONER BROWNELL: Bill, could you describe how  
9 New York -- I often hear references to New York's early  
10 efforts to harmonize the retail program into the wholesale  
11 tariffs so that rather than having a menu of programs that  
12 were somewhat isolated on the wholesale market you somehow  
13 harmonized those.

14 MR. FLYNN: I've got an expert here. You applauded  
15 John Reese's efforts so he's got to live up to your  
16 expectations.

17 (Laughter.)

18 MR. FLYNN: John, here's the test.

19 MR. REESE: Now I'm in real trouble.

20 One of the things that was done with the New York ISO  
21 before the opening of the markets was to work with the  
22 utilities on existing demand response programs and ensure  
23 they were structured so they took advantage of the wholesale  
24 price. We had filings from the utilities early on. We set  
25 them up so that the price signals were consistent with the

1 real-time and day-ahead price signals. And as efficiency  
2 programs over the last six, seven years, new programs have  
3 been created or they've been revised. We've taken the  
4 retail demand programs and structured them so that they're  
5 driven by wholesale price signals.

6 Most recently one of the things that was going on --  
7 and FERC has been involved in this as well -- is a move to  
8 in fact bring ancillary services into the demand response  
9 program. A large number of the industrial customers have  
10 actually been drivers in bringing retail and wholesale  
11 together as they cross those lines.

12 And I think probably the key is sort of constant  
13 recognition as we drive toward retail competition that  
14 retail competition, the ESCOs providing services are  
15 sensitive to how the wholesale market works. They're part  
16 of the voice in the wholesale market and the ISO committee.  
17 We work with the ISO in doing that. So I think it's that  
18 collaboration from inception that has made those programs  
19 the most responsive.

20 COMMISSIONER BROWNELL: Thank you.

21 MR. FLYNN: Anyone else?

22 Thanks, Jack.

23 (No response.)

24 MR. FLYNN: Paul, can you hear me?

25 COMMISSIONER BROWNELL: Oh, my God. We probably lost

1 power an hour ago.

2 MR. FLYNN: Paul, are you out there?

3 (No response.)

4 MR. FLYNN: The day is looking up.

5 (Laughter.)

6 MR. FLYNN: The fifth item: Better utilization of the  
7 interconnections with external areas. Some participants  
8 called for better coordination between neighboring areas to  
9 improve the utilization of interfaces with Quebec. I  
10 personally could not agree with this recommendation more.

11 What I would ask is if there is somebody on the Staff  
12 who can answer me for this: Give me some examples where  
13 there is the need for improvement with our external areas,  
14 most notably our Canadian colleagues. Does anyone from  
15 Staff want to take a stab at that?

16 COMMISSIONER BROWNELL: Bud and Hari, where did this  
17 come from in the comments?

18 You need to step up to the microphone.

19 MR. SINGH: There were comments made by Michael Kelly  
20 from National Grid in particular. It related to the  
21 increase in transfer capability that could occur between New  
22 England and Quebec, and to see if there are any flows back  
23 to New York. There are constraints that become binding  
24 further downstream in PJM and New York if the flows are  
25 increased into New England.

1           You cannot just increase the flow to New England  
2           without coordinating with the other sites. This involves  
3           multiple parties. I'm not an expert on that particular  
4           area. But there are studies that are available on the web.  
5           And Michael pointed to some in the record as well. And I  
6           think the comments that were made by the ISO New England  
7           were that, yes, it's a good idea.

8           And people were going in two directions. One is you  
9           make more investment to fix the underlying constraint. And  
10          then, of course, you resolve the problem. That's one way to  
11          go. The other way is until that can happen can you work out  
12          ways that can do the coordination a little bit better. It  
13          comes down to basically somebody loses a little, somebody  
14          gains a little. But overall everyone's better off.

15          So that's pretty much what I know.

16          COMMISSIONER BROWNELL: Hari, if I understand  
17          correctly, this is really perhaps a two-part recommendation,  
18          should people choose to pursue it. That is to ask Quebec  
19          and the New England ISO what the plan is and what the costs  
20          and benefits are to fixing the underlying constraint. Then  
21          Part B, to ask both of those parties what specific steps  
22          they are taking in the interim to manage differently to  
23          address that further.

24          The group might wish to ask some dates by which those  
25          will be resolved. And you could do a data request during

1 the interim to see if you can get something reflected in the  
2 record. It may well be that things are already underway.

3 MR. SINGH: I think that's a very fair way to put it  
4 because the focus, at least from Michael, is to try to study  
5 the problem on a faster track. It's not that you do one  
6 thing or another, but to look at it with a little more  
7 urgency.

8 I don't know if Mark has a comment.

9 COMMISSIONER BROWNELL: Mark, please come up.

10 It's Mark Lynch from the New York ISO.

11 MR. LYNCH: The only comment I would make, when we get  
12 to Part B of your scenario here, I think the New York ISO  
13 has to be involved in that coordination effort. I know  
14 we've already gone back and started to look at this. And I  
15 think you have to look at it from a very holistic  
16 standpoint, what you're doing on the interface between  
17 Quebec and also between New England and New York, and also  
18 the other tie lines across New York to New England because  
19 it is somewhat of a circular flow there.

20 But I think when you get into Part B other than looking  
21 at Hydro Quebec and New England, what they can do to  
22 alleviate the constraint, when you get into actually  
23 studying it, looking at how you can mitigate the flows from  
24 all the connection points, the New York ISO has to be  
25 involved.

1           COMMISSIONER BROWNELL: We can add you to the list of  
2 data requests for the planning process.

3           MR. LYNCH: Yes.

4           COMMISSIONER BROWNELL: In the interim, respecting the  
5 fact that Quebec is a sovereign province, we should also  
6 contact colleagues there and see if they can come up with  
7 something.

8           MR. GOLDBERG: I hesitate to speak for ISO New England  
9 -- and I won't -- I suspect they'd like to be involved also.

10          COMMISSIONER BROWNELL: Indeed. ISO New England  
11 Katherine Kerrigan was supposed to be here. But we're  
12 giving them a snow pass.

13          MR. FLYNN: Just for the record, I base my interest in  
14 this on what we went through in the blackout of 2003. I  
15 know it's a little offbeat here, but the level of  
16 coordination that went on between the New England ISO, the  
17 New York ISO and the Canadian colleagues on that issue, they  
18 have done -- at least in New York -- an increased effort on  
19 coordinating up in there with what goes on on their  
20 structure with what goes on in the New York ISO. I can't  
21 speak for the New England ISO. But I can only imagine that  
22 they would be more than happy to be involved in a study of  
23 this nature in a more quick fashion than waiting a long  
24 period of time.

25          I would very much appreciate reaching out to them. I

1 don't know who the appropriate party is. I guess you, since  
2 you've already given us the assignment of doing the followup  
3 work; and I'm assuming that it's us.

4 COMMISSIONER BROWNELL: That would be, should it be a  
5 recommendation you choose to adopt since it's your report.

6 Sharon.

7 MS. REISHUS: I've not been involved in the report  
8 itself. Is there some reason why the Maritimes were not  
9 discussed in the context of this?

10 MR. FLYNN: I don't know. Not that I'm aware of. I  
11 don't think they were mentioned in the record. That doesn't  
12 mean -- Would you like to give a thought on that?

13 MS. REISHUS: I don't think it's the same set of issue  
14 that Hydro Quebec has. I know there are coordination issues  
15 involved with the Canadians. They should probably be part  
16 of that process.

17 MR. FLYNN: That's a great idea.

18 Refining capacity markets. Some participants called  
19 for refinements to capacity markets in order to promote new  
20 investment. Any comments?

21 COMMISSIONER BROWNELL: Could I suggest that there are  
22 some efforts underway to do just that.

23 And while that might seem a good idea, I don't want to,  
24 one, undermine whatever efforts are going underway and, two,  
25 get myself and my staff in trouble on ex partes. So if we

1           could just move along on that.

2           MR. FLYNN: I'll just do a quick add on this.

3           We're going to do a panel on this issue tomorrow  
4           afternoon at 3:30, which I'll be moderating. And we have  
5           four or five panelists. There should be a lively  
6           discussion. I have no idea where the room is. So if you  
7           want to see some jousting on this issue, it may happen at  
8           that panel tomorrow at 3:30.

9           COMMISSIONER BROWNELL: I would also just like to make  
10          a request of my friend Jack Goldberg, who, among many people  
11          -- but I've given him so much grief over the past six months  
12          he might want to write a book about the experience of going  
13          underground to come to some measure.

14          I would also suggest for people who are looking at this  
15          issue, there was a discussion yesterday in the International  
16          Committee about the capacity market model in Greece that has  
17          been very successful, and that we not limit ourselves to the  
18          confines of our own country because there are, believe it or  
19          not, other places in the world who are developing markets  
20          and who in some cases are ahead of us.

21          MR. GOLDBERG: The only thing I would say about writing  
22          the book is it would be a biography of Judge Brenner.

23          MR. AFONSO: Kudos to Jack Goldberg on this whole  
24          thing. I'll end it at that .

25          COMMISSIONER BROWNELL: Okay.

1           You're here. Have you been hearing us, Paul?

2           MR. AFONSO: Yes. I've been on. I've been on mute. I  
3 can only been on mute for a little bit.

4           (Laughter.)

5           MR. AFONSO: But I've got it all. Thank you.

6           COMMISSIONER BROWNELL: We kind of thought you were  
7 buried under an avalanche or something.

8           MR. AFONSO: Some would hope; but not quite.

9           MR. FLYNN: The next recommendation is re-examining  
10 uniform price auctions. Some participants called for re-  
11 examining the use of uniform price auctions that allow gas-  
12 fired generators to set the price for coal and nuclear  
13 plant.

14           Any comments?

15           (No response.)

16           COMMISSIONER BROWNELL: I would simply add that this  
17 was discussed yesterday at some length. It was determined,  
18 I believe -- I don't want to speak -- but there were a  
19 number of people who felt this was one of those if you want  
20 to explore it, fine; but it was beyond the scope of the task  
21 that Congress gave us; and that, secondly, there was some  
22 significant evidence -- some of which we put in the record  
23 and we invited people to add anything. But I would just  
24 give you that observation from yesterday.

25           MR. FLYNN: Anyone else?

1 (No response.)

2 MR. FLYNN: The next recommendation, review dispatch  
3 practices. Review selected dispatch entities, including  
4 some investor-owned utilities, to determine how they conduct  
5 economic dispatch. These reviews could document the  
6 rationale for all deviations from pure least-cost merit  
7 order dispatch and distinguish entity-specific and regional  
8 business practices from regulatory environmental and  
9 reliability-driven constraints.

10 Anyone?

11 (No response.)

12 MR. FLYNN: Next: Standardize contract terms.  
13 Recommended that FERC and DOE explore electric power  
14 association, also known as EPSA, and Edison Electric  
15 Institute, otherwise known as EEI, proposals for more  
16 standard contract terms and encourage stakeholders to  
17 undertake these efforts.

18 Any comment on that?

19 COMMISSIONER BROWNELL: I certainly can't speak for my  
20 colleagues. But I would suggest that we're happy to do  
21 that, maybe if it merits convening either a small working  
22 group or a technical conference, and maybe make a  
23 recommendation back to the regions, if that's desirable.

24 MR. FLYNN: If you're waiting for me, I would take you  
25 up on your offer.

1           COMMISSIONER BROWNELL: So if our chairman throws me  
2 off the bridge because we're EPActing full-force, I'll get  
3 back to you.

4           MR. FLYNN: Or you could have him call me.

5           Review dispatch tools. Review common economic dispatch  
6 technology tools. These tools include software and data to  
7 be used to implement economic dispatch as well as the  
8 underlying algorithms and assumptions.

9           I have a question here. How would we go about doing  
10 that review?

11          COMMISSIONER BROWNELL: My own view is you'd have to  
12 ask the ISOs to do that, maybe using DOE as an arbiter or  
13 getting some independent contractor who is familiar with  
14 that.

15          My recollection of the discussion was that there may be  
16 different algorithms being used in the ISOs, and that in and  
17 of itself may be causing some barriers to entry. I remember  
18 asking Gordon if we should perhaps standardize -- knowing  
19 absolutely nothing about this, if somehow we should look at  
20 standardize this. He agreed that that might be a good idea.

21          But my suggestion would be to charge the ISOs to  
22 perhaps come up with some recommendations. Whether or not  
23 DOE is the appropriate resource, we can certainly ask them.

24          MR. FLYNN: I, too, like you, know little about this,  
25 if anything. But my thoughts on this are if you have the

1 ISOs review it, this is the type of review that they look at  
2 it and they say 'we've reviewed it; we already knew it; we  
3 knew what was in the software; it could be better but it is  
4 what it is,' as opposed to some more critical review that  
5 does possibly standardize things and that has constructive  
6 criticisms of the tools that they have in place right now.

7 Maybe there won't be -- a third party, whether it be  
8 DOE or an outside contractor, would make more sense to me  
9 than putting the ISOs in that spot of looking at themselves.

10 COMMISSIONER BROWNELL: I agree. It's never a good  
11 idea to have the children give themselves homework  
12 assignments.

13 (Laughter.)

14 MR. FLYNN: And it's not fair to them. If we ask them  
15 to do that then they're open to immediate criticism for  
16 whatever they find. So I don't know exactly what that  
17 vehicle would be to do it. But I think that would be the  
18 better way to go.

19 I do believe, just in talking with Mark and the  
20 leadership out at the New York ISO, I have grown to much  
21 more respect the software that they use in conducting their  
22 business. It's an area that people kind of take for granted  
23 when it should be right up there on the priority board.

24 COMMISSIONER BROWNELL: I agree.

25 Software is the biggest single driver of costs. I

1 think that history will show that having not set out for  
2 standardization -- God forbid, I'm not going to talk about  
3 SMDs -- that in some cases we built proprietary systems or  
4 amended off the shelf systems in a way that may not be  
5 maximizing the benefit, and also may be making transparency  
6 and measurements a little bit more difficult. I don't think  
7 that's necessarily the purpose, although there are some who  
8 say that have all been captive to a few vendors. And  
9 whether that's true or not, I think it does bear looking at.

10 My suggestion is we could ask DOE -- either make the  
11 recommendations and in the interim ask DOE what the best  
12 independent resource would be and whether they could be  
13 involved. I still think this is one of those hidden things.

14 I don't know if anybody on our Staff -- like Hari, who  
15 actually understands this -- has any thoughts on this.

16 MR. SINGH: The last three recommendations were from  
17 the DOE report. But when we went to the transcript there  
18 was, by Gordon Van Welie, for example, that there are new  
19 technologies that the ISO New England has been evaluating,  
20 like mixed integer program, that PJM recently implemented.  
21 It supposedly does a better job than what was being used  
22 before. Gordon said this is in the R&D phase. They're  
23 looking at it from a longer term time horizon.

24 I think those are the kinds of examples of improvements  
25 in algorithms that if you had somebody else look at it they

1 could give you an objective feedback.

2 MR. FLYNN: Great.

3 So it seems like some of the homework has already been  
4 done. So that's great. Thank you.

5 COMMISSIONER BROWNELL: I know that I volunteered for  
6 nothing because the word algorithm is in it.

7 (Laughter.)

8 MR. GETZ: I think there's another one of those issues.

9 Harking back to Commissioner Brownell's opening  
10 remarks, we need to kind of exercise some discipline about  
11 how deeply we're going to delve into some of these issues.  
12 I think we've got a very narrow charge under the Act. And  
13 if you look at some of what was said in the DOE report,  
14 they're entering this issue at the level of are non-utility  
15 generators being treated appropriately.

16 In New England and New York we have a highly developed  
17 security constrained economic dispatch. So I think some  
18 areas clearly are areas where refinements are possible. But  
19 these are the areas we're talking about now.

20 I think they're all very valid recommendations. But I  
21 think they are issues more to explore than to resolve. I  
22 would just be hesitant about expending a lot of effort in  
23 delving too deeply. And, of course, these are all areas  
24 that are largely being explored already by New England and  
25 New York ISOs as participants.

1           COMMISSIONER BROWNELL: I agree with you, Chairman  
2     Getz.

3           As I mentioned yesterday, the Committee concluded that  
4     they would divide their report into different parts: One  
5     where they had very firm recommendations or experiences.  
6     Then part two, which was things that need further  
7     exploration. I think you could probably build on the  
8     experience to say this is underway but we think this needs  
9     to get looked at. So it doesn't necessarily mean that this  
10    group has to undertake it. But I think Congress is also  
11    looking for the what-next.

12           But I agree with you. The discipline -- trust me --  
13    this group should have been there yesterday.

14           MR. FLYNN: Hari.

15           MR. SINGH: I just want to add quickly -- Alison just  
16    alerted me that in the DOE report this particular  
17    recommendation was not focused on the Northeast. This is a  
18    more general.

19           One area that perhaps could be more important would be  
20    things like the effects of load forecasts that has perhaps a  
21    greater impact on the results than what particular algorithm  
22    is used.

23           MR. FLYNN: Thank you Alison and Hari.

24           That concludes the recommendations portion of our  
25    program. I'm going to turn it back over to you.

1           COMMISSIONER BROWNELL: Great. Thank you.

2           Are there any additional recommendations that any of  
3 the members wish to make that perhaps we didn't discuss  
4 fully in Boston or that you've subsequently thought about?

5           (No response.)

6           COMMISSIONER BROWNELL: Paul, do you have any  
7 additional recommendations you'd like us to consider?

8           MR. AFONSO: No. I think the list is a good one and we  
9 can work off that. Thank you.

10          COMMISSIONER BROWNELL: Great. Okay.

11          Sledding on the Hill is an option.

12          Once again, just to follow up, we will now turn this  
13 over to our vice-chairs and the states to coordinate  
14 refinements, drafting. We offer whatever support you need  
15 from us. We look forward to working with you. We will work  
16 out processes for additional comments and reviews. We will,  
17 obviously, as we publish a final report, have a comment  
18 period, I believe, for others to make sure we've covered the  
19 universe.

20          I would just emphasize to the extent that we had  
21 discussion here today that would lead you to think we need  
22 more data in order to meet the tight timelines -- our  
23 chairman would like this done by May 3rd -- we need to be  
24 disciplined and also recognize that if we're relying on  
25 reports or data from the ISOs, they have their day jobs to

1 do, as do we. So we don't want to burden them with last-  
2 minute data requests.

3 MR. FLYNN: I've just been advised that if people are  
4 wondering why we haven't been stating the length of the  
5 comment period, that still needs to be coordinated with the  
6 other boards and it has to be consistent. At the  
7 appropriate time we'll advise everybody how long that period  
8 is going to be, after it's agreed upon by the other boards.

9 COMMISSIONER BROWNELL: But if we assume that earlier  
10 is better than later, everybody can do that because you've  
11 got some free time now.

12 (Laughter.)

13 COMMISSIONER BROWNELL: Everyone can go out and work on  
14 that right now.

15 (Laughter.)

16 COMMISSIONER BROWNELL: This is the industry that has  
17 perfected the art of the last day of the comment period  
18 entry. And it just makes it that much more difficult for  
19 the drafters and the reviewers.

20 I would encourage everyone to pile on early if you  
21 intend to pile on at all.

22 MR. FLYNN: Thank you.

23 COMMISSIONER BROWNELL: With that, thank you, everyone,  
24 for your attention and your focus and the hard work that you  
25 did.

1 Paul, do you have any closing comments?

2 MR. AFONSO: No, other than I've got too much noise  
3 here. But again thank you. And I again apologize that I  
4 couldn't be with you. But thank you.

5 COMMISSIONER BROWNELL: Thank you.

6 Bill, thank you.

7 (Whereupon, at 10:50 a.m., the hearing in the above-  
8 entitled matter was adjourned.)

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