

**REMARKS OF RANDY RISMILLER
ON BEHALF OF THE ILLINOIS COMMERCE COMMISSION
TO THE TECHNICAL CONFERENCE ON RTO/ISO RESPONSIVENESS
February 4, 2010**

The ICC supports the Commission's efforts to improve RTO responsiveness to customer and stakeholder interests. RTO Board processes and RTO governance practices should be designed to promote the public interest.

Independent Boards

The ICC supports independent Boards of Directors for RTOs and recommends that the Commission take the option for stakeholder boards or hybrid boards off the table. The fundamental principle of RTO independence established in Order 2000 cannot be maintained without independent Boards.

Open Board Meetings

The Commission should require that RTO Board meetings and Board subcommittee meetings be open (with the option to close the meeting for sensitive or confidential topics). Open Board meetings will enable stakeholders to assure themselves that the issues before the Board are fully and fairly vetted and that issues or stakeholder positions are not being improperly filtered or incorrectly or incompletely summarized by RTO management. Open meetings would also enable stakeholders to assess the performance of Board members.

RTO Boards and Board Members Must be Accessible to Stakeholders

Isolation is a danger for independent RTO Boards. Responsiveness requires RTO Boards to be accessible to stakeholders. The Commission should require RTOs to have processes by which the Board may regularly receive and hear the unfiltered

views of stakeholders. Examples include written letters and correspondence, solicitation of position papers and “open mike” periods at Board meetings.

The Commission should require RTOs to have processes by which the Board acknowledges and provides feedback on the input provided by stakeholders. Such feedback might be provided in written form or at open Board meetings or through Board communication to the RTO’s senior advisory committee or through special or periodic Board meetings with stakeholders.

Stakeholder Advisory Processes Should Be Required

PJM uses a Member-centered decision-making process that is less inclusive than an open stakeholder advisory process. PJM’s senior committee is the PJM Members’ Committee. The PJM Members have a formalized proportional voting protocol. PJM has a representational Liaison Committee to foster communications between the PJM Board and the PJM Members. However, not all stakeholders and interested parties are PJM Members. For example, state commissions are not PJM Members. PJM’s Member-centered process that marginalizes non-Member concerns is a barrier to the type of inclusiveness described in the Commission’s Order 719.

Attention to Cost Containment and Cost/Benefit Concerns

RTOs are unusual, and perhaps, unique corporate entities. Because RTOs are not-for-profit entities that are treated as Commission-regulated public utilities, special attention must be given to cost containment and cost/benefit concerns. Cost containment is particularly important to end use consumers who ultimately pay the RTO costs. Because end-use consumer interests are diverse and dispersed, they are not well represented within the RTO stakeholder processes. For this reason, the

Commission must take steps to formally monitor RTO costs, perhaps through regular budget review processes.

Annual Review of RTO Performance

Because of the unusual corporate structure of RTOs and the generalized objective functions they operate under, RTOs must be answerable to an oversight body for performance. The Commission is the natural oversight body. The Commission could exercise this oversight function by annually initiating a docketed proceeding for each RTO to solicit comments from interested parties regarding RTO performance. The proceeding could provide a forum for stakeholders to express their opinions or concerns and for the Commission to make fine-tuning improvements in RTO process and governance.

RTO Processes Require Reform to Improve Attention to Small Consumer Interests

Within the RTO processes, load interests are diffuse and diluted. Although electricity customer numbers are very large, direct participation by individual electric customers in RTO stakeholder processes typically is limited, except for certain large electricity consumers. As a result, end-users must rely on surrogate representatives to protect their interests. Furthermore, some of those who presume to speak or act on behalf of customers are really speaking or acting on behalf of other parts of their companies' business, perhaps generation, perhaps transmission, perhaps distribution, etc. As a consequence, the method of least resistance for an RTO is often to allocate costs and risks directly to load on a pro rata basis, rather than undertaking a more nuanced examination into cost causation or benefits distribution. Such a result runs

counter to the purposes for which restructuring was undertaken in the first place, namely to lessen the risk and responsibility imposed on retail ratepayers and redistribute it to those better situated to manage the risk.

The NASUCA Paper that was referenced in the Commission's Notice for this technical conference proposed some possible approaches to address this problem. I offer an additional idea.

The Commission should consider requiring each RTO to have an Independent Consumer Interest Monitor ("ICIM") focused on residential and small consumer interests. The method of funding and the method for interacting with the ICIM would be modeled on the approach that the Commission has set out for the independent market monitors. The ICIM would be expected to monitor RTO market design developments, RTO transmission planning developments and RTO operations with an eye on the impact of developments on small consumer interests and to bring concerns in this regard to the attention of the RTO and the stakeholders. The ICIM would also be expected to review the RTO's tariff and business practice rules to evaluate the impact on small customers. Where the burden on small consumer interests appears to be out of balance, the ICIM would be expected to bring those matters to the attention of the RTO. If satisfactory remedial measures are not pursued by the RTO, the ICIM would be expected to bring the matter to the attention of the Commission.