

**UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION**

California Independent System Operator Corporation	Docket No.	ER09-1048-000
Midwest Independent Transmission System Operator, Inc.	Docket No.	ER09-1049-000
Southwest Power Pool, Inc.	Docket Nos.	ER09-1050-000 ER09-1192-000
ISO New England, Inc. and New England Power Pool	Docket No.	ER09-1051-000
PJM Interconnection, LLC	Docket No.	ER09-1063-000
New York Independent System Operator, Inc.	Docket No.	ER09-1142-000

**Presentation of Tamara L. Linde
On Behalf Of The PSEG Companies**

(February 4, 2010 Technical Conference – Panel 2)

While my remarks in the first panel concerned ensuring robust, open and vibrant RTO/ISO stakeholder processes my remarks for this second panel focus on the second component of RTO/ISO responsiveness – the absolute need at the end of the day for the RTO/ISO Boards of Directors to remain independent of its stakeholders.

Managing an RTO/ISO is not an easy task, but it certainly cannot be viewed as a popularity contest. Sometimes decisions need to be made that are not popular, but are necessary to keep the RTO/ISO on track to maintain reliability or ensure fair competitive markets. The goal should be to develop a

collaborative system which enables the RTO/ISO Boards to receive all necessary information while preserving their independence and avoiding undue political influence on their decision making.

As the Commission's *Wholesale Competition NOPR* process demonstrated, there is agreement that (1) all stakeholders must have some form of "effective direct access" to RTO/ISO Boards of Directors and (2) each RTO/ISO stakeholder process should possess the flexibility to work with their respective RTO/ISO Board to define what constitutes "effective direct access." For example, PJM stakeholder access was recently enhanced by the formation of a stakeholder Liaison Committee that meets regularly with the PJM Board as well as a process by which members are able to communicate through written communications with the Board and be assured that the Board will receive those communications in the same form they were sent. These measures are basics in good corporate governance and ones that publicly traded companies such as PSEG have been abiding by for many years.

Unfiltered access to the Boards of RTOs and ISOs (1) provides the Board as a whole with more robust knowledge; (2) improves stakeholder perception that the process is open; (3) ensures that both majority and minority views are heard; and (4) undoubtedly leads to more informed decision-making.

Transparent stakeholder processes and effective direct access to the independent Board are critical, but the process cannot end there. The RTO/ISO Boards need to be engaged in fully informed decision-making and remember to stick to their knitting. RTO membership is diverse and sometimes consensus

cannot be reached. This is just a fact. However, the Board should not make a decision solely on the basis that a proposal under consideration has reached some benchmark support level among its membership. For example, a matter may have received the support of 70% of its total membership under that RTO's specified voting mechanism but support from particular industry segments may be entirely lacking. In such cases, it is incumbent upon the Board members to understand why one whole segment of its stakeholders is opposing a change and determine whether the interests of that industry segment are being adequately considered.

Some of my colleagues on the panels today would suggest that there should be a change in the make up of RTO/ISO Boards and that there should be a requirement for such Boards to represent certain specific interests, specifically consumer interests. The PSEG Companies strongly believe that this would run counter to the appropriate independence required of RTO/ISO Boards. In addition to the difficulty of ensuring that stakeholder Board of Director members are not allowed to serve their own interests inappropriately, it is well-established that RTOs/ISOs, like all public utilities, should be free to independently establish the composition of their governing Boards. Undoubtedly, Board's should be diverse and be comprised of individuals with different types of knowledge and experiences. Further, individual Board members should be up for vote regularly to ensure that they continue to meet the diverse stakeholder expectations. However, it would compromise the independence of Boards to mandate that Board qualification be based upon some litmus test that depends upon an

individual's established pattern of supporting or opposing particular initiatives or approaches.

In the final analysis, effective and direct stakeholder access to Board members must be allowed prior to RTO/ISO board decision-making so as to ensure that the viewpoints of all industry segments are well understood. However, once stakeholder views have been properly communicated, RTO/ISO Boards must be permitted to engage in independent decision-making without an audience. By adhering to these principles, Boards will be able to focus in a responsible and unbiased manner on their core missions of maintaining the reliability of the grid and keeping wholesale markets transparent and competitive.

This concludes my prepared remarks. Thank you for the opportunity to present the views of the PSEG Companies.