

March 5, 2010

VIA ELECTRONIC FILING

The Honorable Kimberly D. Bose, Secretary
The Honorable Nathaniel J. Davis, Sr., Deputy Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Re: Docket No AD10-5-000, RTO/ISO Performance Metrics

Dear Secretary Bose and Deputy Secretary Davis:

Attached for filing in the above-captioned proceeding is Comments of the New England States Committee on Electricity (“NESCOE”) on proposed RTO/ISO Performance Metrics pursuant to the Notice dated February 3, 2010 in this proceeding. Please contact me if you have any questions or need any further information regarding this filing.

Respectfully submitted,

_____/s/_____
Heather Hunt
Executive Director
New England States Committee on
Electricity
242 Whippoorwill Lane
Stratford, Connecticut 06614
T: 203-380-1477
C: 203-610-7153
HeatherHunt@NESCOE.com

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

RTO/ISO Performance Metrics)

Docket No. AD10-5-000

**Comments of the
New England States Committee on Electricity
(March 5, 2010)**

I. Introduction

By notice dated February 3, 2010, the Federal Energy Regulatory Commission (FERC or the Commission) invited comment on a proposed set of performance metrics that Regional Transmission Operators/Independent System Operators (RTOs/ISOs) will use to provide annual reports to the Commission. The Commission's effort to collect performance data is in connection with the United States Government Accountability Office Report No. 08-987, dated September 2008, concerning Electric Restructuring (GAO Report). The current effort to develop metrics also relates to the Commission's Fiscal Year 2009-2014 Strategic Plan goal to measure performance of markets within and outside of ISOs/RTOs using a common set of metrics.¹

According to the notice, these standardized measures will track the performance of RTO/ISO operations and markets. The performance results will be reported annually to Congress and the public. The report will also interpret: (1) what the measures and reported performance communicate about the benefits of RTOs; and, where appropriate, (2) changes that need to be made to address any performance concerns.

The New England States Committee on Electricity (NESCOE), New England's Regional State Committee, appreciates the opportunity to comment on the proposed metrics and the

¹ FERC FY 09-14 Strategic Plan at page 13 -14.

Commission's effort in developing them. As described in the comments submitted by the New England Conference of Public Utility Commissioners (NECPUC) and the New England Power Pool (NEPOOL), a cross-section of stakeholders in New England participated in a very brief stakeholder process concerning the proposed metrics. That process, albeit abbreviated due to the comment period, revealed significant agreement on high level principles across New England participants on the proposed metrics.

NESCOE concurs with the specific observations set forth by NECPUC and will not repeat those here. NESCOE also supports the Comments offered by NEPOOL (i.e., the main body of NEPOOL's filing in this proceeding). Therefore, these brief comments are limited to discussion of: (1) the need to connect data characterized as RTO/ISO performance measures to functions within RTO/ISOs' direct responsibility and to properly categorize and describe other information collected; and, (2) suggestions on prospective process to help ensure that market performance reports ultimately submitted to Congress and the public fully explain the data.

II. Each Performance Metric Must Relate to Items Within RTO/ISOs' Direct Control or Specific Responsibility; Other Data Should be Categorized as Informational and Include a Brief Explanation of Influences.

NESCOE shares NECPUC and NEPOOL's view that the Commission's collection of data, annually or periodically as appropriate, to measure RTO/ISO performance and other information will provide value to FERC, to the RTOs/ISO, to market participants, and to those, such as the states, who work on regional electric matters for the benefit of consumers. NESCOE further agrees that the Commission's proposed metrics identify useful information and are a constructive first step in developing a performance measurement process. Provided the data collected directly reflects the RTO/ISOs' scope of authority and function and any related external factors are accounted for in the analysis, the metrics will help to: (1) identify areas

within a specific RTO/ISO that requires improvement; and, (2) identify best practices among the RTOs/ISOs that may help advance practices in other regions.

The issues raised in the GAO report are complex. The issues identified in the proposed metrics are significantly more complex because in many instances, they reach beyond RTO/ISOs' responsibilities. NESCOE offers one example from the "Markets" and the "Reliability" categories to illustrate the point.

An example from the category of "Markets" is the proposed metric to measure renewable megawatts, which is outside RTO/ISO's specific responsibility and within the states' energy and environmental planning and policy frameworks. This is not to say that the RTO/ISOs do not provide important data to inform and advance the states' renewable energy goals and their execution of clean energy policy objectives. In fact, in New England, the Independent System Operator, Inc. (ISO-NE) has conducted significant scenario analysis concerning New England's renewable power development and is now conducting an important wind integration study. There is, however, a material difference between the kind of work on renewable development that ISO-NE performs and the proposed metric. NESCOE agrees that collecting information about the level of renewable power development is useful, but not as an RTO/ISO performance metric.

An example from the category of "Reliability" is the number of facilities approved to be constructed for reliability. This proposed metric is heavily influenced by performance of transmission owners. Moreover, the metric does not necessarily provide valuable information, i.e., if a region does not have a high need for reliability-based facilities at any point in time for any number of diverse reasons, is it not evident what a relatively high or low number of approved facilities would indicate. Therefore, if data associated with facility approval is

collected, it should be categorized as informational and accompanied by an explanation of circumstances to inform the data.

In sum, to accurately assess RTO/ISO performance, each identified performance measure must be directly connected to administration of the RTO/ISO's tariff and/or to functional areas within the RTO/ISOs' designated responsibilities.² All other data should be gathered and presented as informational and the range of influences on that data should be briefly identified.

III. The Process Related to the Performance Measures Should Include Follow-Up Work with Stakeholders in Areas that Show Room for Improvement and an Opportunity for Stakeholders to Comment on What the Metrics Indicate

Whether the metrics ultimately result in measurable improvement in RTO/ISO operations and market performance will depend on the extent to which the Commission holds the RTOs/ISOs accountable to track, report and then work with stakeholders on those functional areas where the measures indicate room for improvement. The Commission should incorporate such accountability and follow-up work with stakeholders into the performance measurement process it adopts as a result of this proceeding.

In addition, after the RTOs/ISOs submit the performance metrics and other information, and before the Commission submits a report to the Congress and the public that interprets what the measures communicate about the RTOs/ISOs, the states and stakeholders should have an opportunity to comment on the results and what they illustrate. For example, if the Commission adopts a metric concerning reliability-based transmission facilities approval, the data could be significantly influenced by factors unrelated to RTO/ISO performance (i.e., states may have aggressively funded energy efficiency projects and/or entered long-term contracts with low-carbon generating resources located close to load that influences the time of need for certain

² Responsibilities among RTO/ISOs differ, which adds complexity to the goal of a common set of performance metrics. *See*, GOA Report, Table 1 "Selected RTO Responsibilities", at pages 12-13.

transmission facilities.) The Commission's report interpreting what the metrics communicate would benefit from input from states and stakeholders concerning relevant information about the markets, state actions or policies and other factors that materially influence the data.

IV. Conclusion

NESCOE supports the Commission's efforts to collect data to measure and progress RTO/ISO performance and requests the Commission take its views as well as NECPUC's specific recommendations into consideration in this proceeding.

Respectfully submitted,

_____/s/_____
Heather Hunt
Executive Director
New England States Committee on
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242 Whippoorwill Lane
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