

MISSION STATEMENTS AND COST BENEFIT ANALYSIS REQUIREMENTS OF OTHER ISOs AND RTOs

ISO New England/RTO Responsiveness and Governance Working Group January, 2009

Summary: ISO New England polled the other ISOs and RTOs for their mission statements and any requirements to conduct a cost/benefit or economic analysis before implementing market improvements.

Each ISO and RTO replied with its mission statement, captured below exactly as it was received. With one exception, each also confirmed that it does not have a cost/benefit or like requirement. The exception is SPP, which is required to perform an analysis before implementing most new markets. Information on this requirement is captured below, along with SPP's mission statement.

1. CAISO

Mission: For the benefit of our customers, we:

- Operate the grid reliably and efficiently
- Provide fair and open transmission access
- Promote environmental stewardship
- Facilitate effective markets and promote infrastructure development

All through the provision of timely and accurate information.

2. ERCOT

Mission: ERCOT nurtures the development of an effective and highly reliable electricity market in Texas by:

- providing independent advice to facilitate and enable innovation;
- collaborating with customers, industry members, and regulators;
- delivering high quality and cost-effective services;
- developing a highly qualified expert staff.

3. MISO

Vision: Drive value creation through efficient reliability/market operations, planning and innovation.

4. NYISO

The Mission of the New York Independent System Operator, in collaboration with its stakeholders is to serve the public interest by:

- Maintaining and enhancing regional reliability
- Promoting and operating fair and competitive electric wholesale markets
- Planning the power system for the future
- Provide factual information to policy makers, stakeholders and investors in the power system

5. **PJM**

Vision: To be the electric industry leader – today and tomorrow – in reliable operations and efficient wholesale markets

Mission:

- As the primary task, to ensure the safety, reliability and security of the bulk electric power system.
- Create and operate robust, competitive and non-discriminatory electric power markets.
- Understand customer needs and deliver valued service to meet those needs in a cost-efficient manner.
- Achieve productivity through the efficient union of superior knowledge workers and technology advances.

6. **SPP**

Mission: Helping our members work together to keep the lights on, today and in the future.

Cost/Benefit Requirement: SPP has agreed with its stakeholders to conduct cost-benefit analyses before implementing new markets. Background on this requirement follows.

In its petition to become an RTO, SPP committed to establish a real-time, offer-based energy market in phases. Before the implementation of each phase, SPP agreed to develop a high-level design followed by a cost-benefit analysis. FERC conditionally approved SPP's application, including these market implementation plans (106 FERC ¶ 61,110, February 10, 2004 ("Initial Order")) at PP 119-122).

At that time, SPP had fifty members, including fourteen investor-owned utilities, six municipal systems, eight generation and transmission cooperatives, three State authorities, one Federal power marketing agency, two independent power producers, and sixteen power marketers (Initial Order at P. 5).

A number of parties sought rehearing of the Initial Order, including the New Mexico Attorney General, who asserted that FERC should not allow SPP to proceed into Day 1 without a cost/benefit analysis showing that SPP would benefit users of the system and result in just and reasonable rates (109 FERC ¶ 61,010 ("Order on Rehearing") at P. 11).

FERC denied rehearing, noting that its orders do not require a cost/benefit analysis demonstrating that a specific RTO proposal will result in just and reasonable rates prior to RTO approval. Nonetheless, FERC noted that it had accepted SPP's commitment to conduct a cost/benefit analysis prior to implementation of the phases of its market development plan. FERC also noted that SPP facilities in certain states must apply for state approval to join an RTO, and the relevant state commissions could require a cost/benefit analysis demonstrating the benefits, or non-detrimental effects, of RTO formation (Order on Rehearing at PP. 12-14).

In its draft Strategic Plan, SPP describes its commitment to cost benefit analysis. Specifically, SPP commits to "evaluate future market development offerings for the region including the requisite cost/benefit studies. A strategic decision including consultation with the SPP RSC will then be made concerning further market services (external generation, Demand Response (DR) and energy efficiency, ancillary services markets, day-ahead markets, and physical or financial transmission rights) development in the region." See the draft plan at <http://www.spp.org/publications/BODAGD&BKGD012709.pdf>.