

**RTO Responsiveness and Governance Working Group**  
**January 30, 2009**  
**Sheraton Hotel, Springfield, MA**  
**Meeting Notes**

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Summary Outline of Outstanding Issues/Agenda Items and Status

- ISO Mission Statement (*discussed on Jan 30 and set for further discussion on Feb 23 agenda; Synapse Economics presentation set for Feb 5*)
- Cost/economic analysis (*discussed on Jan 30 and set for further discussion on Feb 23 agenda; Synapse Economics presentation set for Feb 5*)
- Role of the States, including consumer advocates, NESCOE and NECPUC, in stakeholder process (*set for Feb 5 agenda*)
- Transparency issues, e.g., meeting minutes, ISO actions (*set for Feb 5 agenda, time permitting*)
- Stakeholder process refinements, e.g., NEPOOL Review Board, sector membership qualifications and voting, enhancing minority representation (*set for Feb 5 agenda, time permitting*)
- Process enhancements to allow ratepayers/load/end users to better participate in stakeholder process and with ISO-NE (*set for Feb 5 agenda, time permitting*)
- Evaluation metrics (*item will probably be taken up as we get closer to the end*)

Summary Outline of Action Items/Items to Be Posted and Status

- Customer survey information
- Redline of CMEEC-proposed mission statement

ISO Presentation on The Consumer Protection and Cost Accountability Act of 2008

- Carolyn O'Connor, Director, External Affairs for ISO New England gave a presentation regarding the ISO position on The Consumer Protection and Cost Accountability Act of 2008 (presentation posted with meeting materials)
- A participant asked whether ISO was willing to move from its position taken in response to the bill. ISO noted that the discussion today would help to frame the issues and give ISO information to be able to discuss with the rest of ISO and the ISO Board and noted that ISO was not in a position today to say yes to any changes to its mission statement but that ISO was here to have those discussions and to remain responsive to its stakeholders.

## Discussion of Mission Statement and Cost/Benefit Analysis Agenda Items

- CMEEC explained the draft mission statement it had posted to the meeting materials. Scott Strauss stated his intent that such draft be included as part of ISO's compliance filing and that such filing be durable and enforceable. Mr. Strauss expressed concerns that the language of the Participants Agreement ("PA") did not create its own cause of action. Mr. Strauss noted that he has open to either keeping this as a stand-alone document or modifying the existing language of the PA, so long as it met his concerns regarding durability and enforceability.
- ISO noted concerns it had with the enforceability of this language, particularly given how ambiguous it stated these concepts are.
- Some participants expressed a preference for a standalone mission statement (as opposed to inclusion in the Participants Agreement).
- ISO requested that the group explain more clearly what it meant by taking costs into consideration.
- Some participants noted that they would like to see ISO provide more information as to the cost impacts of any market rule changes, reliability decisions or transmission developments.
- One participant mentioned he would like to see something akin to a floor or ceiling on production costs in which range the region would allow our wholesale markets to operate.
- ISO asked the group to expand upon whether participants were looking at ISO to simply put cost information out there and let others evaluate or whether participants were looking at ISO to propose more cost-effective (or cost-beneficial) alternatives. Some participants noted it was important to understand and gain a better appreciation for what is meant by saying you want the ISO to consider costs. A participant noted that both MISO and NY have cost-effectiveness as part of their mission statements.
- A participant reiterated that it was important that ISO remain responsive to its stakeholders and that one of the first steps ISO can take to become responsive is to inform and change the culture around ISO to become more aware of customer costs.
- Another participant stated that he understood the desire to add something in the ISO mission statement regarding costs to help move the ball forward, even though he is of the belief that efficient markets in the long run would produce high benefits to consumers.
- Participants noted that it would be important to limit the number of changes to the PA given the extensive process the region underwent to create those objectives originally.

- One participant stated that it was difficult to determine cost benefits, particularly given that there can be differences for the short-run as opposed to the long-run and also noted that he did not think the region could change much given how much reliability standards are embedded nationally.
- A participant noted that one of his major concerns was that there was no long-term bilateral market in the region in order to hedge costs for consumers.
- Mr. Strauss noted that he was not intending with his proposal to be overly prescriptive and that CMEEC was really looking to make sure that some sort of analysis gets done on cost impacts and that the ISO is transparent about that analysis.
- A participant noted that Order No. 719 requires the region to look at the practices of the RTOs for the consumers that benefit and pay for those services, which to him sounds like the group needs to think about the benefits consumers are getting from RTOs and how the region pays for those.
- ISO noted it had posted other RTO mission statements and that only the Southwest Power Pool had a specific cost-benefit requirement in its markets.
- A participant noted that while ISO was responsive to reliability concerns, at some point you get less of a return on your investment and that the region has already gone past the limit on how reliable the system needs to be. Other participants noted that reliability concerns were not insignificant and that less transmission investment could translate into increased generator reliability agreements.
- One participant noted the potential harm to the stakeholder process and/or to efficient markets over the long term if the region became too focused on the costs and benefits of short-term changes and further noted that, at every point, some market segment ends up being a minority and the group needs to look at ways to protect those interests.
- A participant questioned whether it was feasible to have an objective standard to measure production costs overall and whether it would be possible to incorporate such standard or metric in ISO performance measures. The group discussed the pros and cons to this approach as well as the implementation details, including whether you could use an index to measure fuel costs.
- Another participant noted that the topics discussed by the group related to sections (b) (regarding lowest cost) and (e) (regarding economic analysis) of the CMEEC proposal and questioned whether those sections could be incorporated into the existing ISO mission statement.
- The group discussed concepts like cost consciousness, cost effectiveness and cost efficiency. The group also discussed transparent quantitative and qualitative analysis of impacts of major decisions.

- Some Participants expressed the desire to keep any changes minimal to the ISO mission statement given past negotiations on that language.

#### Conclusion/Next Steps

- Ms. George asked whether any participant had materials to post with the agenda item regarding the Role of the States. There was no response to this inquiry. Ms. George proposed for the group to go ahead with its discussion on the Role of the States at the next meeting on February 5, 2009 and take up the mission statement and cost/economic analysis items again at the meeting on February 23, 2009. No objections were raised to this proposal.
- Ms. George encouraged participants to provide suggested mission statement language for posting in advance of the February 23 meeting and requested that CMEEC provide a redline of its proposal against the currently effective ISO mission statement.
- Another participant noted that she wanted to make sure the group would discuss the issue of consumer presence on the ISO Board. Ms. George stated that that item would come up as part of the Role of the States discussion or as part of the more general stakeholder process improvements discussion.