

RTO Responsiveness and Governance Working Group
March 3, 2009
Sheraton Hotel, Springfield, MA
Meeting No. 5 Notes

Summary Outline of Outstanding Issues/Agenda Items and Status

- ISO Mission Statement, including cost/economic analysis (*set for further discussion on March 23 agenda*)
- Process enhancements to allow ratepayers/load/end users to better participate in stakeholder process and with ISO-NE (*set for further discussion on March 23 agenda, and tentatively set for March 30 agenda*)
- Transparency issues, e.g., meeting minutes, ISO actions (*set for further discussion on March 23 agenda*)
- Representation of consumers interests on the ISO Board (*set for further discussion on March 23 agenda*)
- Stakeholder process refinements, e.g., NEPOOL Review Board, sector membership qualifications and voting, enhancing minority representation (*set for further discussion on March 23 agenda, time permitting, and tentatively set for March 30 agenda*)
- Role of the States, including consumer advocates, NESCOE and NECPUC, in stakeholder process (*no further discussion planned*)
- Evaluation metrics (*no further discussion planned*)

ISO Mission Statement, including cost/economic analysis

- A proponent of the proposal posted from Connecticut stated that the chief differences between the ISO version and the Connecticut and Maine versions was that the ISO's draft looks at cost-effectiveness and the other drafts look at lowest reasonable cost and that the cost requirements apply to the performance of the overall mission in the Connecticut and Maine versions as opposed to the ISO version that is more limited.
- One participant noted that the Maine version applies the lowest reasonable cost standard to the provision of administrative services where the Connecticut version applies lowest reasonable cost to the actual electricity products or market prices.
- A proponent of Maine's proposal noted that Maine would support some of the changes proposed by Connecticut to the beginning of the Maine version and further

noted that it was not Maine's intent to limit the lowest reasonable cost standard to just administrative functions.

- A participant asked Connecticut and Maine to discuss how the ISO could demonstrate that it has met the lowest reasonable cost standard. A proponent of the proposal from Connecticut stated that it was an intuitive process that would need to be worked out. A proponent of the Maine proposal stated that it was not a cookie cutter approach or exact formula and that the lowest reasonable cost is compromise language that would allow cost to be inserted in discussions of transmission cost containment issues, transmission allocations, and certainly administrative changes.
- Some participants asked whether the region would want to give ISO a greater role in balancing reliability versus cost and questioned how this standard would relate to the just and reasonable standard, including whether this approach would push down the just and reasonable standard upon the ISO and put the ISO in a policymaking role that belongs to the FERC.
- Another participant responded that ISO is already in the policymaking role and that all the proposals from Connecticut and Maine do is add cost into this mix and further that the state regulators do not lose anything at FERC if the lowest reasonable cost standard is incorporated.
- There was further discussion on how the lowest reasonable cost standard would work and whether such application would expand the role of ISO and to what extent such expansion would be desirable. ISO indicated that if the language in the proposals referring to consumers was intended to indirectly put ISO in the role of mandating or otherwise influencing retail rates, that would not be acceptable to the ISO and ISO noted further that state regulatory bodies have control over those rates, regardless of what happens on the wholesale level.
- A participant noted it may be helpful in these discussions to go through some examples and come up with some general expectations, which do not necessarily have to be in writing, just to help understand what is involved in the information presented.

Representation of consumer interests on the ISO Board

- Kevin Conroy, on behalf of the Massachusetts Attorney General, described the proposal to amend the qualifications of ISO Board members.
- Representatives from state regulators indicated that NECPUC did not support mandating a quota for ISO Board membership but was generally supportive of language that would increase consumer advocacy as criteria for ISO Board selection.
- Mr. Conroy indicated that he was not really looking for a consumer advocate on the ISO Board as much as someone who has experience dealing with consumer issues.

- A participant noted that if you look at the current ISO Board it is comprised of different people from different backgrounds although all have touched electric industry at some point and noted that the nominating committee looks at a number of factors, including consumer interests, but was not sure how adding another limitation on the work of the nominating committee would work.
- There was discussion as to whether the electric distribution companies represent consumers or whether there is a separate role for consumer advocates. Mr. Conroy indicated that he did see the roles as separate.
- A participant stated that the joint nominating committee tries to make an effort to look at the relative skill sets of ISO Board candidates and assure that the ISO Board has a cross-section of knowledge, understanding and insights on the relevant issues that the ISO Board will face over the next number of years and that the committee has tried to avoid any litmus test, in part because it has been tough to get folks to serve on the ISO board given the conflicts of interest that need to be handled.
- There was a suggestion to Mr. Conroy to amend the proposal to state that at least two of the directors shall have prior relevant experience in balancing the interests of retail electric consumers. Mr. Conroy stated that he would think about that suggestion.
- There was more discussion on how to handle the conflict issues that relate to the ISO Board.
- There was a suggestion that, instead of trying to change the criteria for ISO Board membership, to the group consider changing the composition of the joint nominating committee.
- NECPUC clarified its position against any proposal that would set a quota for the ISO Board and noted that it is concerned that such proposals would lead the region towards a hybrid board.

Stakeholder process refinements

- Tom Kaslow, on behalf of SUEZ and PSEG, described his proposal on minority representation in the NEPOOL governance process and suggested changes to the existing voting structure.
- There was some discussion about the feasibility of using voting metrics given the fact that some information may not be publicly available and the fact that the metrics change over time, some on a frequent basis.
- Mr. Kaslow clarified that some of the metrics would be on a lagging basis that could be updated over a defined period of time.

- A participant noted that developing NEPOOL pleadings is not always as straightforward as it seems and that he would have concerns about how to represent minority alternatives in those pleadings.
- A participant noted support for the proposal offered by SUEZ and PSEG.
- Mr. Kaslow also clarified that, in the event there was no majority position from NEPOOL, NEPOOL would not take a substantive position but would simply report on the process to the FERC.
- Counsel to NEPOOL clarified that this proposal would effectively remove NEPOOL from advocacy as a practical matter.
- Mr. Kaslow clarified that, if any sector had more than 50% opposition, it would rule out a joint NEPOOL/ISO filing. He hesitated to characterize the proposal as a veto mechanism but rather stated that his concern was that NEPOOL positions were being represented as balanced before the FERC when they may not have been.
- A participant noted that the effect of this proposal would be to give each sector a veto and further that there does not seem to be any limitation on minority positions so you could have each filing go down to FERC with multiple minority positions. This participant noted that the proposal may want to include some incentives for sectors to reach out to other sectors in order to have a legitimate minority position rather than a simple requirement that a position be supported by one sector.
- Another participant noted that the proposal would create a significant threshold for NEPOOL to become an advocate or file jointly with the ISO and a second participant stated that this proposal would really moot or dissolve NEPOOL in a sense.
- Counsel for NEPOOL noted that there were really two issues in play here, one relating to the role NEPOOL Counsel should play, which is really an item that can be worked through with the NEPOOL Officers and one that is continually subject to adjustments over time, and the other relating to the voting structure. On the issues relating to the voting structure, if we create the threshold to be too high, the significance will be that we will seldom reach closure and there will be less willingness on the part of folks to try and resolve differences. Further, the FERC has indicated that they see a very large value in some process that allows the stakeholders to reach closure, and has encouraged joint filings.
- A participant suggested that the proposal be refined to have a test that is more workable in terms of reporting minority positions.
- Another participant noted some concerns with this proposal in terms of reporting the votes and how certain companies would be labeled.

- One participant commented that parties are free to make their own comments to the FERC if they want to ensure their position is known on a certain issue.
- There was further discussion on what the proposal hoped to accomplish and some debate on whether the proposal as designed did that.
- A participant noted that the practical effect of this proposal was that you would end up with less NEPOOL filings but the same ISO filings.
- There was discussion on where this issue should be further considered, given that it is primarily a NEPOOL governance issue. Counsel for NEPOOL noted that it probably made sense to get input from the Participants Committee as to how and whether to move forward with this proposal. Counsel for NEPOOL agreed to take the matter off-line and try and figure out the right process moving forward.

Conclusions/Next Steps

- ISO indicated that it would have further internal discussions on the ISO Mission Statement and the proposals on the ISO Board and would report back to the group, although it was not likely that ISO would have any answers or feedback by the March 9 meeting.
- There was discussion on whether to have the March 9 meeting and/or whether to have such meeting as a teleconference.
- Mr. Conroy indicated a proposal on transparency issues was forthcoming but that he would prefer not to present such proposal as part of a teleconference. Mr. Conroy also indicated that he was continuing to work on the NERCA proposal and that was still in flux.
- It was agreed that the meeting on March 23 would consider the ISO Mission Statement, including cost/economic analysis, representation of consumer interests on the ISO Board, and transparency issues.
- It was also agreed that the meeting on March 30 would be reserved to potentially consider the proposal by SUEZ and PSEG as well as the NERCA proposal.