

September 7, 2022

Cheryl LaFleur  
Chair, Board of Directors  
ISO New England  
One Sullivan Road  
Holyoke, MA 01040

RE: State Agency Comments on Proposed 2023 ISO New England Operating & Capital Budgets

Dear Chair LaFleur:

On behalf of the undersigned New England state agencies, we submit our comments regarding the ISO New England (ISO-NE) proposed 2023 Operating and Capital Budgets.

We understand that the basis for this budget proposal is ISO-NE's additional workload and the tighter job market. We note that the proposal as of August 2022 is one million dollars more than what was proposed back in June 2022 when presented to NECPUC, for an overall \$20.1 million or 10.7% increase in the operating budget (before depreciation). ISO-NE is also proposing an increase to its capital budget of 4.7%. These are significant increases particularly following last year's material increases. We are persuaded, however, that the increases are necessary to improve ISO-NE's function and performance. In particular, the increases are related to additional headcount (up 32 FTEs for 2023) and capital projects that better position ISO-NE to meet its strategic goals of responsive market designs, progress and innovation, operational excellence, stakeholder engagement and the attraction, development, and retention of talent, all of which we agree with and support. In our annual budget reviews and comments, we have looked at the degree to which each proposed budget makes efficient use of resources and is adequately sized and targeted to enable proper performance. Starting last year and continuing this year, our primary focus has been on performance. In our comments last year, we asked the Board to place particular emphasis on the use of metrics and stakeholder feedback as ways to assess and track performance. While we appreciate the Board's response to those comments, in particular its agreement that metrics are important and the efforts taken to be responsive to stakeholders, we are not convinced that currently ISO-NE is effectively utilizing available metrics.

Specifically, ISO-NE does not appear to be using any of the FERC Common Metrics, which were developed to track performance of RTO/ISO operations and markets, finding that they were not specifically developed for ISO-NE. Nor does ISO-NE appear to use any metrics to determine the cost effectiveness of transmission fixes other than project costs. In both instances, ISO-NE appears to be limiting itself to narrowly defined and tailored metrics that foreclose comparisons across other entities or processes. This limitation appears to have mitigated ISO-NE's ability to learn from its one competitive transmission fix solicitation since its results cannot be compared with any other process. We believe that better metrics and better use of metrics would have served ISO-NE well in that situation and are important tools toward ISO-NE improving performance across all its responsibilities. As such, and at the risk of sounding repetitive, we again ask the Board to focus attention on the metrics ISO-NE uses and how it uses them to see how metrics can be better identified and used to improve ISO-NE performance.

Identification, Development and Use of Appropriate Metrics.

We do not believe that ISO-NE is sufficiently utilizing objective measures of performance to identify, respond to and track areas of need/under performance in its operations. As such, we again ask that the Board specifically consider how the identification, development and use of appropriate metrics can help improve the performance of ISO-NE. ISO-NE has a wide range of responsibilities and needs objective, useable metrics that address the full range of these responsibilities, including system reliability, the wholesale markets (capacity, energy, and ancillary), operational efficiency and effectiveness, cyber security, incorporating state policy goals, and transmission system interconnections and upgrades.

CONCLUSION

We are generally supportive of the proposed 2023 budget and recognize the need for the requested increases from 2022, but again ask that the Board carefully review how ISO-NE can better develop and utilize metrics to assist it in proactively identifying areas of need and in implementing effective solutions for improvement.

Respectfully submitted,

Connecticut Public Utilities Regulatory  
Authority  
Marissa P. Gillett, Chairman  
Ten Franklin Square  
New Britain, CT 06051

Vermont Public Utility Commission  
Anthony Z. Roisman, Chairman  
112 State Street, 4th Floor  
Montpelier, VT 05620-2701

Massachusetts Department of Public Utilities  
Matthew Nelson, Chair  
One South Station  
Boston, MA 02110

Vermont Department of Public Service  
June E. Tierney, Commissioner  
112 State Street Third Floor  
Montpelier, VT • 05620

Maine Office of the Public Advocate  
William S. Harwood, Public Advocate  
112 State House Station  
Augusta, Maine 04333-0112

Massachusetts Attorney General  
Maura Healey  
By: Rebecca L. Tepper, ETD Division Chief  
Massachusetts Attorney General Office of  
Ratepayer Advocacy  
One Ashburton Place  
Boston, MA 02108-1598

Connecticut Office of Consumer Counsel  
Claire E. Coleman, Consumer Counsel  
Ten Franklin Square  
New Britain, CT 06051

New Hampshire Office of Consumer Advocate  
Donald M. Kreis, Consumer Advocate  
21 S. Fruit Street, Suite 18  
Concord, NH 03301



September 21, 2022

Via Electronic Mail

Marissa P. Gillett, Chairman, Connecticut Public Utilities Regulatory Authority  
Anthony Z. Roisman, Chairman, Vermont Public Utility Commission  
Matthew Nelson, Chair, Massachusetts Department of Public Utilities  
June E. Tierney, Commissioner, Vermont Department of Public Service  
William S. Harwood, Public Advocate, Maine Office of the Public Advocate  
Maura Healey, Massachusetts Attorney General  
Rebecca L. Tepper, ETD Division Chief, Massachusetts Attorney General Office of Ratepayer Advocacy  
Claire E. Coleman, Consumer Counsel, Connecticut Office of Consumer Counsel  
Donald M. Kreis, Consumer Advocate, New Hampshire Office of Consumer Advocate

Dear State Officials:

Thank you for your letter dated September 7, 2022 outlining your comments on ISO New England's proposed 2023 operating and capital budgets. We are pleased that you are supportive of the ISO's proposed 2023 budget and recognize the need for the proposed increases in light of the ISO's wide range of responsibilities and additional workload.

We also appreciate your attention to whether the budget makes efficient use of resources and whether the ISO is achieving its strategic goals. The Board of Directors shares these objectives. We acknowledge your request for the Board to continue its evaluation of the use of appropriate and available metrics. As noted in prior communications (and in the 2023 budget presentation), the ISO uses a wide variety of metrics to measure performance against our strategic goals, risk tolerance, and compliance. These metrics are wide-ranging, substantive, and cover each area of the ISO's core business.

Regarding the use of the metrics contained in the FERC Common Metrics Staff Report, we agree with management's explanation that metrics tailored to our mission and the New England markets are a more informative measure of performance. Additionally, many of the metrics contained in such report are captured by currently-used ISO metrics or functionally equivalent measures. We will however, reevaluate whether any additional metrics contained in the FERC Common Metrics Staff Report can provide added value and insight.

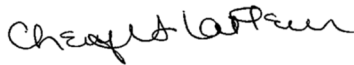
With respect to the use of transmission solutions metrics, the ISO will continue to monitor its performance in this area. The New England planning procedures, developed in consultation with stakeholders, result in the selection of regional plans that reflect more efficient and cost-effective transmission solutions to meet regional needs. By design, the regional planning process provides for

transmission as the last resort. The process requires the ISO to use non-transmission fixes to address system concerns, and to resort to transmission solutions only after these options have been considered. The ISO evaluates the process continuously for improvements in meeting these requirements. Last year the ISO implemented tariff improvements that expanded the non-transmission fixes the ISO must rely on to address system concerns to include all existing resources as well as future resources with capacity or other contractual commitments. When system needs persist after accounting for these non-transmission fixes, the recent tariff improvements increase the likelihood of successful competitive transmission development. Future improvements will expand transmission fixes to include storage and the Board will continue to monitor the ISO's performance in this area.

Finally, the ISO strives to improve performance in a variety of ways that reach beyond metrics usage. For example, the ISO regularly engages with other independent system operators and regional transmission organizations across multiple departments to share "best practices" and "lessons learned." The ISO uses these avenues of communications as an important tool to aid in the development of business processes and solutions and to creatively approach the challenges facing the New England region.

The Board of Directors appreciates your input and support of the budget and welcomes continued discussion regarding the ISO's performance. We look forward to further collaboration as we work towards the transition to the future grid.

Sincerely,



Cheryl LaFleur  
Chair, ISO New England Board of Directors