

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

RTO/ISO Performance Metrics

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Docket No. AD10-5-000

**COMMENTS OF NEPOOL PARTICIPANTS COMMITTEE ON  
RTO/ISO PERFORMANCE METRICS**

(March 5, 2010)

The New England Power Pool (“NEPOOL”) Participants Committee<sup>1</sup> offers these comments for consideration by Commission staff in response to the “Notice Requesting Comments on RTO/ISO Performance Metrics,” which was issued in the above-captioned docket on February 3, 2010 (the “Notice”). The Notice identifies proposed performance metrics and additional information (together, the “Proposed Metrics”) that regional transmission organizations and independent system operators (collectively, “RTOs”) might use to report periodically to the Commission, and requests comments on whether the Proposed Metrics will “effectively track the performance of [RTO] operations and markets”. As the Commission is aware, NEPOOL is comprised of all the varied interests in the New England electricity markets and, not surprisingly, there is a wide divergence of opinion among its members concerning specific aspects of the Proposed Metrics. For that reason, the Participants Committee comments (“Comments”) are limited to certain high level principles concerning the Proposed Metrics on which there is broad consensus by the Participants Committee that emerged during the limited time that New England stakeholders have had to explore these issues since the Notice was issued. The Commission will likely receive more specific, and possibly divergent, comments

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<sup>1</sup> Capitalized terms used but not defined in this filing are intended to have the meanings given to such terms in the Second Restated New England Power Pool Agreement (the “Second Restated NEPOOL

from individual NEPOOL members. At the request of and with input from the Participants, NEPOOL includes as an attachment to these Comments a summary of the observations received during the limited and preliminary stakeholder process undertaken in response to the Notice (“Observations”). The Observations consolidate for administrative convenience regional feedback received in the stakeholder process and are not positions on which NEPOOL voted, either to endorse or to oppose. For that reason, the Observations are consolidated in a separate document and NEPOOL’s organizational positions are reflected in these Comments.

## **I. DESCRIPTION OF NEPOOL**

NEPOOL is a voluntary association organized in 1971 pursuant to the New England Power Pool Agreement, and has grown to include more than 410 members. The Participants include all of the electric utilities rendering or receiving service under the Tariff, as well as independent power generators, marketers, load aggregators, brokers, consumer-owned utility systems, end users, developers, demand resource providers, and a merchant transmission provider. Pursuant to revised governance provisions accepted by the Commission,<sup>2</sup> the Participants act through the NEPOOL Participants Committee. The Participants Committee is authorized by Section 6.1 of the Second Restated NEPOOL Agreement and Section 8.1.3(c) of the Participants Agreement to represent NEPOOL in proceedings before the Commission. NEPOOL is the principal stakeholder organization for the New England RTO.

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Agreement”), the Participants Agreement, or the ISO New England Inc. (“ISO-NE”) Transmission, Markets and Services Tariff (“ISO-NE Tariff”).

<sup>2</sup> See *ISO New England Inc. et al.*, 109 FERC ¶ 61,147 (2004).

## II. BACKGROUND AND INTRODUCTION

In its September 2008 report,<sup>3</sup> the Government Accountability Office (“GAO”) recommended that the FERC Chairman: (i) work with RTOs, stakeholders, and other experts to develop standardized measures that track the performance of RTO operations and markets and (ii) report the performance results to Congress and the public annually, providing also an interpretation of (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.<sup>4</sup> These actions, the GOA noted, would provide a foundation for the FERC to evaluate the effectiveness of RTOs and facilitate an understanding of RTO performance and net benefits.<sup>5</sup>

The Commission reported in the Notice that, in response to the GAO recommendations, it worked with representatives of the RTOs to develop a set of performance metrics to be used in annual reporting to the Commission, and subsequently elicited perspectives and comments on the metrics from selected stakeholder representatives. The Notice presents for the first time publicly the Proposed Metrics developed in response to those recommendations, and is among the first steps towards meeting the GAO-identified objectives.

Shortly following the Commission’s issuance of the Notice, NEPOOL and representatives of the New England state regulatory commissions joined together, with support and input from ISO-NE, to organize an open stakeholder process to explore the Proposed Metrics together with all interested stakeholders. They held two teleconference meetings, one in mid-

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<sup>3</sup> US Gov’t Accountability Office, *Electricity Restructuring: FERC Could Take Additional Steps to Analyze Regional Transmission Organizations’ Benefits and Performance*, Report No. GAO-08-987 (2008) (“GAO Report”).

<sup>4</sup> GAO Report at p. 59.

<sup>5</sup> *Id.*

February, and one at the end of February, to consider and review issues raised by the Proposed Metrics. Membership in this group, which was referred to as the “RTO Metrics Working Group”, was open to all interested persons in the region, and the members that participated included representatives from state regulatory commissions and all six Sectors, with support and input from ISO-NE representatives as requested. The RTO Metrics Working Group continued to receive feedback from members following those meetings, and presented a summary and draft of these Comments to the Participants Committee at its March 5, 2010 meeting. At that meeting, the Participants Committee unanimously approved<sup>6</sup> the substance of these Comments, with the explicit understanding that it was not voting on the Observations included as Attachment A hereto, but rather agreeing to their inclusion with NEPOOL’s Comments as a consolidation for administrative convenience of the regional feedback received in the stakeholder process. Accordingly, the Participants Committee neither affirmatively supports nor opposed any of the Observations except to the extent they are expressly included in the body of these Comments.

NEPOOL’s consideration of the Proposed Metrics was informed by considered and deliberate steps already undertaken in New England to address the measurement and evaluation of the performance of the New England Markets and the New England RTO. Much of the specific data and information identified in the Proposed Metrics is, at least for New England, already reported by ISO-NE or otherwise publicly available.<sup>7</sup> Indeed, New England’s RTO arrangements require continued evaluation of RTO operations and market performance.

Specifically, the Participants Agreement (i) incorporates as part of ISO-NE’s mission informed

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<sup>6</sup> Abstentions were noted by Brookfield Energy Marketing, Cross-Sound Cable Company, Long Island Power Authority, Massachusetts Attorney General’s Office, and the New Hampshire Office of Consumer Advocate.

<sup>7</sup> For example, information required in specific metrics is reported annually in the ISO Annual State of the Markets Report.

participation and encouragement of on-going market improvements,<sup>8</sup> (ii) requires review and assessment of the effectiveness of the New England Markets by both internal and external market monitors,<sup>9</sup> and (iii) contemplates ISO-NE reporting of its performance against any standards established by the Commission and any actions plans, including progress reports, developed as a result of being measured against such standards.<sup>10</sup>

NEPOOL members broadly support these comments primarily because they are in furtherance of New England's prior regional efforts related to performance measurement and reporting, and also because they understand that the Proposed Metrics represent a suggested starting point and will evolve over time and with the benefit of further experience and consideration. NEPOOL emphasizes that these Comments represent a preliminary regional perspective, may not be shared by all its members, and are offered to assist the Commission but should not be construed to constrain or prejudice the positions of individual stakeholders.

As evident by the Observations, many stakeholders have suggested a number of areas where additional guidance, refinement, and/or development might be useful. NEPOOL looks forward to the opportunity, with the benefit of additional time, information, and guidance from the Commission, to further explore and provide feedback on these and future metrics and additional information to be collected.

### III. COMMENTS

Based on its experience, as well as its preliminary discussions, NEPOOL identifies for Commission consideration five principles related to the question of whether the Proposed Metrics might effectively track RTO performance and market operation:

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<sup>8</sup> Participants Agreement, § 2.3.

<sup>9</sup> *Id.*, §§ 9.4.3, 9.4.4.

<sup>10</sup> *Id.*, § 15.3.

First, *the Performance Metrics are a valuable first step in what will be an evolutionary process to develop and determine the metrics against which to evaluate RTO operations and markets*. Many Participants viewed a number of the Proposed Metrics as potentially useful in the evaluation of RTO performance. Many of the Proposed Metrics have the potential to support trend analysis, and provide comparative information, both within and as between the RTOs and the organized markets. As for whether any specific metric or group of metrics would be suitable for evaluation, or would effectively track the performance, of RTO operations and markets, NEPOOL Participants were reluctant, without the benefit of more time and consideration, or a more comprehensive indication of how the reported information would be interpreted, to unequivocally agree or support the proposition that the Proposed Metrics are complete or would be completely effective. Participants did agree that, overall, the Proposed Metrics appear to be a good starting point and will evolve in both form and interpretation as data is collected and with the benefit of time and experience.

Second, *NEPOOL supports and encourages a robust and comprehensive flow of information from the regions to the FERC*. The Proposed Metrics will provide a variety of information in support of the evaluation of RTO operations and markets. As noted in Attachment A, stakeholders identified additional information that would be specifically or generally desirable to have reported. There are undoubtedly others. While NEPOOL does not take a position as to whether any specific sub-set or category of information would or would not effectively track RTO performance, NEPOOL does support the unconstrained and transparent flow of information from the RTO regions to the Commission. Transparency is the path to understanding.<sup>11</sup>

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<sup>11</sup> Transparency facilitates evaluation. Evaluation facilitates understanding of RTO performance. An understanding of RTO performance facilitates the assessment of net benefits.

Third, ***Performance Metrics must be reasonably related and/or relevant to RTO markets or operations.*** To maximize their benefit, Performance Metrics should be plainly attributable either to the activities and responsibilities of that RTO, or the areas influenced by the activities or responsibilities of that RTO. Performance metrics should support performance and/or value assessment, provide data that can be compared or acted on, or minimally support an inter- or intra-regional trend analysis. As the New England RTO arrangements contemplate, where performance against a Commission-established standard can be appropriately measured, progress addressing any identified deficiencies or improvements developed as a result of being measured against such standards, should be measured and reported.

Fourth, ***additional information and clarification would be useful in providing a more comprehensive evaluation of the Proposed Metrics.*** Among the open questions identified in NEPOOL discussions to date were the following: (i) how will the Proposed Metrics and additional information be assessed? (ii) what is the requested information intended or expected to communicate about the operation or benefits of the RTO markets or operations? (iii) what outcomes are desired or will be encouraged? (iv) how, if at all, regional variation will be incorporated and accounted for in the valuation process?

Finally, in recognition of the fact that the Proposed Metrics are a work in progress and will necessarily evolve over time, and in view of the additional information and clarification requested, ***NEPOOL encourages the Commission to pursue a process that allows all stakeholders the opportunity for informed review and input into the proposed national and regional metrics before they are finalized or revised from time-to-time.*** For such a review to be meaningful, the consultation process must begin early, with notice and adequate time to allow for informed discussion. The quality of information shared in that process must be detailed and

thoughtfully considered. Early review and input will maximize the opportunity for meaningful and informed discussions among all interested parties and will increase the likelihood that the Commission will receive suggestions that are most likely to facilitate improvements in RTO operations and markets.

#### **IV. CONCLUSION**

NEPOOL commends the Commission for this first step in the process toward developing standardized measures to track the performance of RTO operations and markets, and supports and encourages a robust and comprehensive flow of information from the regions to the FERC. As the significance and evaluation of such information and performance measures evolve and crystallize over time, NEPOOL looks forward to future efforts to address the efficacy and consequence of such measures and information, including some or all of the observations or concerns raised by Participants and others in these proceedings.

Respectfully submitted,

NEPOOL Participants Committee

By: \_\_\_\_\_  
Patrick M. Gerity  
Day Pitney LLP  
242 Trumbull Street  
Hartford, CT 06103  
Tel: (860) 275-0533  
Fax: (866) 458-0320  
E-mail: [pmgerity@daypitney.com](mailto:pmgerity@daypitney.com)

Its Attorney

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**ATTACHMENT A**

**CONOLIDATED, PRELIMINARY OBSERVATIONS FROM  
NEW ENGLAND STAKEHODLERS ON  
PROPOSED METRICS**

## ***Preliminary Observations***

The following observations, which were based on stakeholder's preliminary understanding of the proposed metrics and additional information, and without the benefit of the information to be submitted and reported in April, were communicated by one or more Participants in New England RTO Metrics Working Group process. They have been consolidated for administrative convenience and in the hopes that some or all of them may inform and assist FERC staff in the metric development process. These Observations are neither affirmatively supported or opposed by the Participants Committee.

### ***Section 1: Performance Metrics***

#### ***1. Reliability***

- Many of the proposed metrics address planning and processing issues. While much of the information would appear to be useful information, since RTOs do not build transmission or generation, the proposed metrics do not appear to be well-suited as RTO performance metrics.
- Participants noted that the Metrics should focus on RTO operation of the system:
  - dispatch response to disturbances
  - maintenance scheduling – reliability and cost impacts
  - correction of identified deficiencies
  - performance re: (weather normalized) load forecasting

#### ***A. Compliance with NERC or Regional Reliability Standards***

- Additional metric proposed: require RTO's to identify any Reliability Standard waivers requested by/granted to an RTO

#### ***B. Dispatch Reliability***

- The number of transmission load reliefs or unscheduled flows does not necessarily evaluate efficient outcomes and may not be wholly applicable to New England

#### ***C. Operational Planning – Load Forecast Accuracy***

- No specific comments noted

#### ***D. Long-Term Reliability Planning – Transmission***

- Specific metrics 1 and 2 are affected by the role played by transmission companies. Accordingly, the specific metrics need to be revised to distill and/or distinguish RTO from transmission owner performance.

### ***Preliminary Observations***

[neither supported nor opposed  
by the Participants Committee]

- Suggested additional specific metrics include:
  - Evaluation of size and nature of facilities constructed
  - Evaluation of overall costs incurred
  - List and description of all NERC Reliability Standards mitigation plans outstanding and/or being conducted
  - Accuracy of RTO planning documents/system plans, including estimated versus actual construction costs and whether congestion and other savings accrued as projected

### ***E. Long-Term Reliability Planning – Generation***

- Re: E.1 (processing times for generation interconnection requests): Processing time can vary on a case-by-case basis. It was suggested that the metric be revised to include an evaluation of the time taken to complete processing compared against timeframe originally projected/promised.
- Re E.2. (reserve margins)
  - Might be better suited as additional information
  - Additional metrics suggested or information requested:
    - comparison of actual to required margins
    - measure the number of hours that that RTO-permitted scheduled maintenance resulted in congestion and high energy costs, particularly during shoulder periods
    - measurement of how transmission built (in constant dollars) compares to the values estimated in the RTO's transmission plan
    - measurement of whether congestion or savings accrued as projected

### ***F. Transmission Outage Coordination***

- Need to differentiate between reasons for outages – for instance, outages cancelled in anticipation of major storms should not be used
- Better metric might well be to identify those transmission outages that effect generation availability – such a metric would illustrate T&G coordination (a more efficient outcome)
- F.3 may be too related to conditions outside of RTO control (e.g. weather or other unanticipated system conditions) to be an appropriate metric
- F.4 demonstrates frequency of outages scheduled on short notice by TOs and has very little to do with ISO/RTO performance
- Suggested additional metrics:

### ***Preliminary Observations***

[neither supported nor opposed  
by the Participants Committee]

- ▶ if an RTO has internal goals relating to fuel diversity, data tracking fuel diversity (if not, may still have informational value)
- ▶ # of transmission outages that get put into monthly FTR calculations and how many get used (to demonstrate how often Participants were required to hedge against something that ultimately wasn't needed)

## **2. Markets**

### ***Addition of Market Monitoring Metric***

- The RTO Market Monitoring function should be included in metrics
- A Market Monitoring metric could be developed to include a report on the number of times the Market Monitor has investigated conduct, directed action, as well as the number of MWhs and \$\$\$ involved, or qualitative explanation of outcome of investigation

### ***A. Market Pricing:***

- A.1 (load-weighted LMPs)
  - ▶ LMPs not believed to be indicative solely of RTO market performance
  - ▶ This specific metric would need clarification in light of fact that regions manage this data differently
  - ▶ ISO Market Monitor is likely to submit comments to FERC indicating how the metric can be revised to better evaluate efficiency of market prices/LMPs (e.g. use the Lerner Index)
  - ▶ A participant suggested a better evaluation of market price efficiency might be a comparison of the price of marginal reserves dispatched compared to the LMP
  - ▶ Pricing effects should be evaluated (identifying, if at all, any price suppression)
  - ▶ Percentage of out-of-merit dispatch could be identified as a specific metric, though what is good/acceptable, or bad/unacceptable performance would need to be clarified
- A.2 (components of total power cost)
  - ▶ Add to the components of total power costs to be separately identified:
    - capacity costs;
    - NCPC,
    - costs of RMR contracts,
    - de-list bids;
    - uplift costs as a percentage of overall costs
  - ▶ Complete list of all de-list bids that have been rejected for reliability reasons for Capacity Commitment Period (including the total dollars

### ***Preliminary Observations***

[neither supported nor opposed  
by the Participants Committee]

expended over and above that which would have been paid on a purely competitive basis, number of MWhs, and excess cost per MWh for each rejected de-list bid)

- ▶ Number of MWs under out-of-market/RMR contracts
- ▶ Alternative Measurements:
  - NCPC MWs and MWhs paid by resource (identity masked) in the past twelve months -- provides a better indicator of the extent to which the LMP algorithm reflects the price of energy and the extent to which RAA commitments interfere with RT pricing.
  - RAA commitments –frequency, magnitude (MW) and duration (MWhs)
  - relative percents of energy traded in Day-Ahead and Real-Time markets
- A.3 (Load-Weighted, Fuel-Adjusted LMPs)
  - ▶ Again, interesting data, but not indicative of RTO/ISO or market performance (marginal prices more dependent on generation fuel at the margin than RTO performance)

### ***B. Generator Availability***

- Forced Outage Rate – not viewed as a particularly useful metric. More reflective of the effects of prices and maintenance, rather than ISO performance

### ***C. Congestion Management***

- Fine to include congestion costs reflected in the LMP, but even more important to reflect the congestion costs reflected in NCPC payments
- add a metric for the relative percents of energy traded in Day-Ahead and Real-Time markets
- Measure benefits from congestion relief against cost of the fix

### ***D. Demand Response and E. Renewables***

- While useful information, move from specific metrics to additional information – as they do not reflect RTO performance
  - ▶ ISO is not sole or best source of demand resource information (e.g. behind-the-meter demand reduction may be held by state PUCs)
  - ▶ high levels of DR participation could reflect Market Rules which place other resources at a disadvantage).
  - ▶ not clear how the amount of demand response or renewables, if properly identified, would be evaluated – good or bad

### ***Preliminary Observations***

[neither supported nor opposed  
by the Participants Committee]

- ISO performance should be focused on a measure assuring that DR (and all other resources) has a reasonable opportunity to participate in the market.
- Cost of renewables is not identified or factored in
- Renewables metric is technically flawed. It should either be megawatts as a percentage of total capacity, or megawatt hours as a percentage of total energy

### ***3. Organizational Effectiveness***

#### ***A. Administrative Costs***

- Additional information to report – how the costs change year to year; and to the extent possible, what capital costs would be over the subsequent 5 years
- Benchmark RTO administrative and operating costs/MWh used in identifying RTO best practices among regions and estimating the effectiveness of RTO capital investment and operating costs etc.
- Benchmark the price paid for energy in relation to generator cost used to provide information on whether markets offer protection from excessive rates and charges and whether they are providing value to consumers

#### ***B. Customer Satisfaction***

- If data to be obtained through customer surveys, avoid undue subjectivity in survey questions and analysis
- Percentage of satisfied customers should be broken down into categories, e.g.:
  - transmission planning
  - establishment of tie benefits
  - administration of market
  - market Rule changes
  - market settlement
  - market development
  - responsiveness to requests for qualitative and quantitative analyses
- Categories should also be separately ranked by Sector
- Additional metric: number of contested/uncontested FERC filings by an RTO (indicative of success of stakeholder process)

#### ***C. Billing Controls***

- no comments

### ***Preliminary Observations***

[neither supported nor opposed  
by the Participants Committee]

#### ***D. Additional Information***

- It would be useful would include membership demographics (e.g. number of sectors/categories/classes of customer, number per class, applicable fees, stakeholder committee structures) to enable comparison of level and extent of participation in RTOs
- Transmission Cost Controls -- it would be useful to tract the cost of new and upgraded transmission facilities and establish metrics (e.g., cost/MWcapacity) to measure effectiveness of ISO/RTO oversight

#### ***4. Additional Performance Metrics***

##### ***A. Responsiveness to Participants and Consumer Concerns:***

- Responsiveness to participant or consumers' requests for qualitative and quantitative cost impact analyses (include statistics on number of requests and number of responses, as well as narrative summarizing each request and response)
- Responsiveness to participants' requests for analyses of market rule revision alternatives (include statistics on number of requests and number of responses, as well as narrative summarizing each request and response)
- This information will be helpful in evaluating performance in (i) responding to requests for cost impact analyses; and (ii) responding to requests for analyses of market rule revision alternatives

##### ***B. Costs to Consumers:***

- Overall delivered costs to consumers (total amount and per MWh delivered)
- Break down of delivered costs to consumers by total transmission, energy, and capacity costs delivered (total amount and per MWh delivered)
- Further breakdown of costs from previous metric by reliability region (total amount and per MWh delivered)
- This information will be helpful in evaluating the cost-effectiveness of RTO initiatives

#### ***Section 2: Additional Information***

The following additional information was suggested for inclusion in Section 2 – “Additional Information” (on which the RTOs will report):

- A Cost Effectiveness Category - overall cost to consumers
- Transmission cost per MWh delivered ... cost of wires/MWh
- System load factor measurements
- Demand Response data quantifying
  - the benefits of DR

***Preliminary Observations***

[neither supported nor opposed  
by the Participants Committee]

- ▶ to what extent various wholesale markets are open to DR -- enabling comparison of opportunities available to DR and generation resources; demonstrating comparability of treatment
- Impact on additional reserve margin attributable to the addition of intermittent resources
- Trend analysis of Day-Ahead and Real Time LMP vs. natural gas and #6 fuel oil prices by month

**CERTIFICATE OF SERVICE**

I hereby certify that I caused a copy of the foregoing document to be served electronically upon each person designated on the official service list compiled by the Secretary of the Federal Energy Regulatory Commission.

Dated at Hartford, Connecticut this 5th day of March, 2010.

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Patrick Gerity  
Day Pitney LLP  
242 Trumbull Street  
Hartford, CT 06103  
Tel: (860) 275-0533  
Fax: (860) 881-2505  
E-mail: [pmgerity@daypitney.com](mailto:pmgerity@daypitney.com)