Regional Transmission Organizations: The Rulemaking and the Rules

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Functions

1. Assure open access to the regional transmission system.

2. Operate the electric power markets.

3. Monitor the electric power markets.

4. Execute the electric power markets.

5. Maintain reliability.

6. Serve as the clearing agent.

7. Plan the transmission system.

8. Operate and maintain the transmission system.

Principles

1. Transmission is still a monopoly.

2. Regional problems require regional solutions.

3. Building transmission is time consuming, difficult, and expensive.

4. Independent oversight of market operation and reliability is essential.

5. Transmission operations and planning must be closely coordinated.

6. The Power Exchange and the system operator should be in the same organization and in the same building.
Criticisms

1. ISO's can't build needed transmission lines.

2. By having an ISO and a Gridco, operation of the transmission system is separated from ownership - and that's bad.

3. As a "not for profit" ISO's lack incentives to operate efficiently.

4. ISO's lack incentive to "maximize throughput".

5. Self-perpetuating ISO Boards are accountable to no one.

6. The four existing ISO's are too small.
Deregulation

Policy Option
Open Access to Transmission but
"protect native load"

Utility System Operator continues
dispatch @ MC

Bilaterals: Utility – Neighbors
Independent Generation – Customers

Retail Competition becoming State Law

Utility Strategy
* "Functional Separation" and
deregulation of Generation

* No ISO - Utility Continues System Dispatch
  Instead: Regional Security Coordinator

* Distribution - "Functional Separation"
  Still Regulated
Competition

Policy Option
NY, NE, PJM, California Model

Spot Market plus Bilateral @ Wholesale Level

Market & Dispatch by ISO (ex: California)

Need “Demand Elasticity” - some Customers “see” price

Retail Choice phased in

Utility Strategy
* Sell or spin off all or most generation

* Transfer all Transmission to Gridco or Transco
ISO Separate - ISO “Inside”

* Distribution - Wires Company
Still Regulated

* Think “3 Way Split” not sell most assets