

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.**
- 9. Build new transmission facilities.**

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**