

R. T. O. Governance

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FERC Order 2000

Criteria for RTOs

- No financial stake in market participants by Board or employees
- Decision making process independent of control by any individual or class of market participants
- Independent Authority to propose rate, terms, and conditions

Policy Level Issues

Fiduciary Obligation Of Board

Owed To Whom?

- Stakeholders
- FERC
- End Users
- Public Interest
- Corporate Self Interest

Policy Level Issues

Fiduciary Obligation Of Board

Nature of Obligation

- Implementation of Public/Regulatory Policy
- Market Formulation and Protection?
- Referee of Disputes?
- Policy maker?
- Internal Corporate Governance?

Policy Level Issues

Meaning of Independence

- From Whom? For what?
- Accountability
 - To whom, for what
 - Performance evaluation
 - Enforcement
 - Liabilities?
 - Individual
 - Corporate

Policy Level Issues

Meaning of Independence

- Stakeholder Involvement
 - Formal
 - Informal
 - Sub groups

Policy Level Issues

Board Composition

- Independent
 - Selection and retention
 - “members” elect
 - Self renewing
- Stakeholder
- Political Appointment

Policy Level Issues

Role Of Board

- Broad Oversight at High Altitude?
- Hands On?
- Nature of Relationship with Management?
- Scope of Management Authority
- What Matters need to go to Board?

Practical Considerations

Region Specific Considerations

- Institutions are not Identical
 - NE: history of tight power pools
 - NW: multi-state planning background
 - CA: ISO experience
 - TX: isolation
 - Balance of country: reliability coordination only

Practical Considerations

Transition

- Who Manages during Embryonic Phase of RTO?
 - RTOs will be weak
- How are Decisions Made?
 - Who is involved and how?
- FERC Role?
 - How active?
 - How passive?

Practical Considerations

Transition

- Stakeholder Role?
 - Formal or informal?
- Capability of RTO / Capability of T.O.'s
- Delegation of Authority?
 - To Whom? For What?

Conclusions

- Need for Direction
- Regions are Different
- Transition Matters

See also Appendix A – RTO Governance

A Comparison of ISO Governance Structures in the US