

UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION

RTO/ISO Performance Metrics                    )  
  )           Docket No. AD10-5-000  
  )

REPLY COMMENTS OF THE  
NEW ENGLAND POWER GENERATORS ASSOCIATION, INC.

The New England Power Generators Association, Inc. (“NEPGA”) respectfully submits these reply comments in response to the Federal Energy Regulatory Commission’s (“FERC” or “Commission”) Notice Requesting Comments on the RTO/ISO Performance Metrics (“Notice”), issued on February 3, 2010, in the above referenced docket. The Commission proposes to use these metrics to track the performance of RTOs/ISOs and provide an annual report to Congress and the public. Such a report will provide 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>1</sup>

**I. INTEREST OF THE PARTIES**

NEPGA is a private, non-profit entity that advocates for the business interests of non-utility electric power generators in New England. NEPGA’s member companies represent approximately 28,000 megawatts of electrical generating capacity throughout the New England region. NEPGA’s mission is to promote sound energy policies which will further economic development, jobs, and balanced environmental policy. NEPGA’s member companies are responsible for generating and supplying electric power for sale

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<sup>1</sup> *Notice Requesting Comments on RTO/ISO Performance Metrics*, Docket No. AD10-5-000 (February 3, 2010), p. 1.

within the New England bulk power system. As active participants in the ISO New England Inc. (“ISO-NE”) day-ahead and real-time markets, NEPGA’s member companies have substantial and direct interests in the outcome of this proceeding.<sup>2/</sup>

## II. COMMUNICATIONS

NEPGA requests that service in this proceeding be made upon, and communication made directly with, the following:

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## III. COMMENTS

NEPGA appreciates the Commission’s efforts to standardize the RTO/ISO evaluation criteria such that those organizations can effectively administer the markets they operate and provide value to all market participants. In addition, NEPGA supports the comments filed on March 5 by the Electric Power Supply Association (“EPSA”), and echoes their statement commending the Commission’s efforts to develop metrics that will develop further competitive markets nationwide. While the market issues related to ISO-NE are unique, NEPGA agrees with EPSA that a standardized set of metrics may be of great value and useful to properly evaluate RTO/ISO performance.<sup>3/</sup> In addition,

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<sup>2/</sup> The comments contained in this filing represent the position of The New England Power Generators Association, Inc. as an organization, but not necessarily the position of any particular member(s) with respect to any statement, concept, issue or position expressed herein.

<sup>3/</sup> EPSA at 3.

NEPGA supports EPSA’s specific comments regarding (a) the need to resist making metrics hard and fast “goals” and (b) that additional market-specific information is an important element in developing the annual report.<sup>4/</sup> NEPGA also supports the substantive comments on individual metrics set forth by EPSA, particularly those related to Markets (price metrics, generator availability and congestion management) and Organizational Effectiveness and offers the following additional comments.

A. *Markets*

NEPGA notes that it will be problematic if the Commission emphasizes short-term price metrics as a RTO/ISO goal.<sup>5/</sup> Organized wholesale markets must support not only short-run efficiency, but also long-run investment and efficient deployment of capital. RTO/ISOs must remain neutral to the price outcomes in daily, monthly and annual markets, and focus their efforts on efficiently executing their market administration obligations under their tariffs, with no particular incentive to favor “low” or “high” prices. Significantly, a too narrow focus on short term price metrics could result in the unintended consequences of the use of manual or other out-of-market dispatch actions. As EPSA notes,

Order No. 2000 envisioned ISOs/RTOs as independent entities that administer the market; a pricing metric would give these independent administrators incentive to actively influence market prices, thereby tainting the ISO/RTO’s neutral role as system operator and create unintended consequences affecting generation dispatch and investment.<sup>6/</sup>

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<sup>4/</sup> See EPSA at 3-4 (noting that the stakeholders must “acknowledge that treating the final metrics as the only or primary “goals” can be a likely unintended consequence of this effort. . . ISOs/RTOs [should] include other relevant organization-specific information about their markets, giving further context to the annual report.”).

<sup>5/</sup> NEPGA agrees with EPSA that price should not unduly be a “deterministic metric.” EPSA at 6-7. As EPSA comments, “[T]he proposed ‘price component’ metric... would not appear to provide much useful information and may even provide misleading information.” EPSA at 7.

<sup>6/</sup> EPSA at 7-8.

NEPGA submits that additional Market metrics regarding generator availability should be considered. Specifically, NEPGA concurs with EPSA that accurately reflecting reliability needs through market prices which signal efficient supply to load is an important component of measuring the performance of an RTO/ISO.<sup>7/</sup> The metric as proposed by EPSA would

[I]nclude both the number of physical OOM dispatches required to maintain system integrity and load requirements, and related costs associated with those calls, including uplift payments. Such a measurement would help indicate the transparency and efficiency of the market.<sup>8/</sup>

NEPGA notes that this is a particularly important issue in the ISO-NE marketplace. Accordingly, NEPGA agrees that OOM information measures the extent to which energy or reserve prices do not reflect daily operation of the RTO/ISO market and obscure efficient price signals, and is therefore an appropriate measure of the RTO/ISO's performance.

#### B. *Organizational Effectiveness*

NEPGA submits that, regarding Organizational Effectiveness, the Commission should consider a metric tracking whether the RTO/ISO stakeholder governance process produces consensus-based outcomes.<sup>9/</sup> NEPGA is firmly committed to constructive engagement in the New England stakeholder process, and many NEPGA members are active in similar stakeholder processes in other RTO/ISO regions across the country. The value of these processes is in creating the opportunity for all market participants and affected stakeholders to engage in constructive dialogue with the RTO/ISO on important

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<sup>7/</sup> See EPSA at 14 (noting that “a very important measurement of a system operator’s performance is how often ‘uplift captured in balancing charges’ or ‘Out of Merit/Out of Market’ (“OOM”) dispatch is required to match real-time energy needs with the real-time or day-ahead schedule.”).

<sup>8/</sup> EPSA at 14.

<sup>9/</sup> See also EPSA at 17 (suggesting that included in the Performance Metric for Organizational Effectiveness, there be a metric for “interaction with the Board by stakeholders” to reflect accessibility.”).

market design questions, with the goal of ensuring that market designs ultimately reflect a balance of buyer and seller interests. In addition, such processes aim to achieve long-term sustainability for investment in efficient resources, and deliver energy and related grid services to consumers at the lowest reasonable cost. If the stakeholder governance, and thus the RTO/ISO decisions, become unbalanced to one side or the other, the markets will likely suffer reliability and/or economic dislocations and fail to achieve their promise. A metric focused on the degree of support for market rule changes across buyer and seller interests would enable the Commission to track the performance of the governance process in achieving balanced outcomes.

#### **IV. CONCLUSION**

WHEREFORE, NEPGA respectfully submits these comments in the above referenced proceeding.

Respectfully submitted,

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/s/  
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Counsel for the New England Power Generators  
Association

March 19, 2010

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day caused to be served the foregoing Reply Comments of NEPGA upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Boston, MA, this 19th Day of March, 2010.

/s/ Richard A. Kanoff