

Resolution Concerning Independent System Operations of Electric Transmission Assets

WHEREAS, Many State legislatures and regulatory commissions are engaged in processes to develop and implement policies to open electric markets to competition; *and*

WHEREAS, On April 24, 1996, the Federal Energy Regulatory Commission issued Order No. 888, requiring electric utilities to file tariffs for non-discriminatory, open-access transmission services on an unbundled basis to facilitate more competitive power transactions; *and*

WHEREAS, Policy makers at both the State and Federal levels have expressed concern that common control of transmission and generation facilities could permit transmission owners to exert market power by discriminating in favor of sales from their own generation assets; *and*

WHEREAS, One solution under consideration by FERC, State regulators and others to address the problem of common control of transmission and generation assets is the creation of regional Independent System Operators (ISOs) to operate transmission grids and ensure that reliable, reasonably priced, open access transmission services are available without undue discrimination in favor of any power supplier or competitive sale transaction; *and*

WHEREAS, ISOs are actively under consideration or already have been formed voluntarily by market participants and are being implemented consistent with State restructuring plans and subject to FERC oversight in several regions of the U.S.; *and*

WHEREAS, State and Federal policy makers have expressed their intent to ensure the transmission system is operated and developed to meet the needs of society at large and to have fair and equal access to such a system in ways that both enhance reliability and foster increased competition; *and*

WHEREAS, It is recognized that Independent System Operators may be subject to both State and Federal oversight, and that the independence of such operators is necessary to prevent the exertion of undue market power; *and*

WHEREAS, At its 1996 Annual Convention, the National Association of Regulatory Utility Commissioners (NARUC) adopted a Resolution Regarding Electric Industry Restructuring Legislation which stated NARUC's position that any such congressional legislation should, among other things, authorize the voluntary formation of regional bodies to address regional transmission issues, including supervision of ISOs; *now, therefore, be it*

RESOLVED, By the National Association of Regulatory Utility Commissioners, convened at its 109th Annual Convention in Boston, Massachusetts, that State and Federal regulators should encourage voluntary action, but also have clear authority to require that transmission-owning entities transfer sufficient control of transmission systems to independent system operators where necessary to assure a competitive market; *and be it further*

RESOLVED, That States be authorized to form regional bodies on a voluntary basis to address regional transmission system issues; *and be it further*

RESOLVED, That where and to the extent that State and Federal decision-makers require ISOs, they should be structured to:

- a. Ensure reliable operation of the transmission system;
- b. Perform sufficient planning so that changes necessary to facilitate the reliable, efficient and compensatory use of the transmission system can be implemented subject to regulatory approval;
- c. Establish rules and procedures that clearly establish independence by ensuring at a minimum that industry participants that own or control sources of power generation, supply, or transmission do not have control of ISO governance. Such independence could be accomplished by requiring (1) that industry participants that own or control of sources of power generation, supply, or transmission do not have control of ISO boards; or (2) that the board is made up solely of non-market participants in a quasi-public or non-profit entity; or (3) that the ISO is independently owned and operated by an investor-owned entity (TRANSCO); or (4) other methods that clearly assure independence of the governance of the entity.
- d. Reflect both Federal and State interests in assuring reliability, open access, and rational expansion of the transmission system;
- e. Provide for the collection and dissemination of system operating information available to the ISO to support market, public policy, and environmental goals, while keeping commercially sensitive and other proprietary customer and supplier information protected from disclosure.

*Sponsored by the Committee on Electricity
Adopted November 12, 1997*