

RTO Responsiveness and Governance Working Group
March 30, 2009
Doubletree Hotel, Westborough, MA
Meeting No. 7 Notes

Summary Outline of Outstanding Issues/Agenda Items and Status

- Process enhancements to allow ratepayers/load/end users to better participate in stakeholder process and with ISO-NE (*set for further discussion on March 30 agenda*)
- ISO Mission Statement, including cost/economic analysis (*no further discussions planned, other than any further comments from ISO-NE*)
- Stakeholder process refinements, e.g., sector membership qualifications and voting, enhancing minority representation (*set for further discussion on March 30 agenda*)
- Representation of consumers interests on the ISO Board (*no further discussions planned*)
- Transparency issues, e.g., meeting minutes, ISO actions (*no further discussions planned*)
- Role of the States, including consumer advocates, NESCOE and NECPUC, in stakeholder process (*no further discussion planned*)
- Evaluation metrics (*no further discussion planned*)

Introduction

- Mr. Kevin Conroy, Massachusetts AG, noted that ISO had posted a proposal with the materials for the group regarding the formation of a Consumer Liaison Group (“CLG”), with a point-of-contact (“POC”) employed by ISO for this group, and while he stated that there is still some work to be done, it is a good start and he is grateful to ISO for acknowledging the need for this proposal. Mr. Conroy noted that his office would be unable to provide a response on this proposal until later this week. Mr. Conroy also stated that ISO had posted a proposal relating to the issue of transparency and ISO Board meetings, which his office supports, although he was still thinking about whether those changes go far enough in the context of the Order 719 compliance requirements.
- Mr. David Doot, NEPOOL Counsel, confirmed that while the consumer liaison proposal would not be voted on by the Participants Committee, from his standpoint it is part of the whole package of Order 719 compliance, elements of which will be voted on by the Participants Committee, and for that reason as well as the interest in

remaining transparent about the working group's activities, the liaison proposal will be discussed at the Participants Committee as well.

- A participant noted the progress that had been made on the transparency items and stated that she was still unclear or struggling with the output aspects of that proposal, including information from ISO back to participants.
- Mr. Ray Hepper, ISO Counsel, noted that the output from ISO, in addition to the reports by the CEO at the Participants Committee meeting, will largely be seen in the actions senior management takes. Mr. Hepper noted that the ISO Board does not act on written resolutions to change the tariff, rather the ISO Board gives guidance back to senior management directing such changes. Mr. Hepper stated the value he believed for participants in the changes on transparency proposed by ISO, including the ISO Board agendas, the opportunity for additional materials, and the enhanced CEO report.
- Mr. Doot stated his expectations for the CEO reports at the Participants Committee, which he stated would be more fulsome and provide opportunities for follow-up questions. He also stated that in the minutes for the Participants Committee meetings, NEPOOL counsel would draft the section on the CEO report for those that were unable to attend the meetings. Mr. Doot clarified that the CEO report would not be a written product, other than its reporting in the Participants Committee minutes.

Process Enhancements (Consumer Liaison Proposal)

- A member asked ISO to describe the types of support that ISO was planning to provide to the Consumer Liaison Group ("CLG"). Ms. Anne George, ISO, stated that the intent of the proposal was that ISO would provide logistical support, including the location, if necessary, for CLG meetings and website access for materials. She also stated that the ISO website dedicated to the CLG would be publicly available.
- Ms. George confirmed her understanding that the CLG would be open, including for any consumers, not just those organizations and advocates for consumers. Ms. George noted that Mr. Conroy had committed to proposing language for the proposal to capture this understanding.
- A participant noted that there are several transmission companies in NEPOOL that in most cases do better jobs than those representing the end user sector in advocating for the consumer, particularly since there are varied interests in the end user sector.
- A participant asked about the budgetary impact on ISO to support this proposal. Ms. George stated that she did not anticipate any major budget impact at least for now.
- Another participant expressed his belief that any information that goes from the ISO to the CLG and back to the ISO should be made available to all other stakeholders.

- A participant noted the use of the word “important” in the proposal describing the information that the point of contact (“POC”) in ISO for the CLG would be sending out and questioned whether this use was limiting.
- Mr. Bob Stein, Chair of the Participants Committee, expressed his concern that there was further work to be completed on this proposal, particularly given that today was the last meeting of the working group and the Participants Committee would not be voting on this item. Mr. Hepper noted that the proposal would be explained in the filing letter. Mr. Stein reiterated his desire to reach closure on this item with this working group.
- Mr. Doot stated his hope and expectation that whatever comes out of this working group on the consumer liaison proposal would be discussed in its final form by the Participants Committee on Friday. Ms. George suggested that the group schedule a teleconference for later this week to discuss the proposal further prior to the Participants Committee meeting. Mr. Stein was appreciative of that suggestion.
- A participant stated his belief that the proposal would create divisions and appears to allow special treatment for consumers and that such proposal should not be allowed to help an underrepresented group at the expense of any other group.
- Ms. George stated that this proposal would be discussed as part of the ISO’s compliance filing but otherwise the document would not formally reside anywhere.
- Mr. Conroy explained that the proposal was designed to give those consumers and their advocates a translator at the ISO to help them through the process given that those groups today have no resources and no understanding on how to adequately participate in the process.
- A participant noted that it was important for the proposal not to precondition the leadership or details on the CLG, but rather to let that group figure that out themselves. Another participant stated that it was important for the CLG to be driven by those it is intending to serve. Ms. George noted that the document was purposefully vague on issues such as how much the CLG will want to take on themselves in terms of driving agendas and setting up meetings.
- Mr. Conroy stated that he imagined the CLG being set up similar to how this working group was done, with emails out to the normal stakeholder lists in addition to the contacts he has and that the first meeting would put together an agenda to describe the reasons why the CLG was formed. He also stated that at some point the CLG would probably designate a chair/vice-chair.
- Mr. Conroy stated that the Massachusetts AG would still actively participate in NEPOOL and that this proposal was in addition to and not instead of that involvement.

- There was further discussion again about making sure that the CLG meetings remained transparent to others in the region.

ISO Mission Statement

- Ms. George referred the working group to language circulated by regulators in Vermont and Maine regarding changes to the ISO mission statement. Ms. George noted that the ISO's position on using the phrase "lowest reasonable cost" as a description of how ISO is to fulfill its mission, which phrase is present in the Vermont and Maine proposal, had not changed.
- Commissioner John Burke, Vermont PSB, stated that the real impetus for the proposal in his mind was a concern that the original ISO proposal, which stated that ISO would "strive" to fulfill its mission in a cost-effective manner, was not enough. Mr. Burke noted that the proposal from Maine and Vermont was not a NECPUC position.
- Commissioner Vendean Vafiades, Maine PUC, noted similar concerns as Mr. Burke on the "strive" language found in the ISO proposal. Commissioner Vafiades also stated that the cost language regarding how ISO shall fulfill its mission, whether at lowest reasonable cost or in a cost-effective manner, as proposed by ISO, was the fundamental difference in the two proposals.
- Some participants noted their support for the proposal put forth by the Vermont and Maine regulators.
- Commissioner Kevin DelGobbo, Connecticut DPUC, stated that Connecticut had evaluated the proposal put forth by the Vermont and Maine regulators and was generally supportive although he believed the existing language raised a question or concern regarding ISO's role in setting just and reasonable rates as it was currently drafted. Commissioner DelGobbo further stated that Connecticut shared similar concerns as Maine and Vermont with respect to what it is he thinks they are looking to do here.
- A representative from the Massachusetts DPU, Mr. John Keene, noted that Massachusetts did not support this proposal on the basis that it appears to place the decisions regarding the appropriate balances between reliability and costs with the ISO, as opposed to the FERC where it belongs.
- Commissioner DelGobbo recognized the balance that Mr. Keene was describing and noted that Connecticut was not supportive of making ISO more of a policy-making entity but rather simply helping ISO fulfill its functions and create a more transparent culture.
- There was discussion about tailoring the language of the proposal to more clearly address the concerns raised by Connecticut, which would otherwise support the

proposal. Additional language was discussed by the group that was further clarify that it is the FERC and not the ISO that makes the determination as to whether a rate is just and reasonable.

- A participant raised concerns about how this language would apply to ISO proposing market-based rates and noted that he was not clear what the real impact would be here and would not want the ISO to change its decisions based on the perspective of lower prices. There was further discussion about how this language would apply to transmission proposals as opposed to market-based proposals.
- Mr. Nick Ucci, Rhode Island PUC, noted that Rhode Island did not support the proposal for the same reasons as the Massachusetts DPU.
- A participant noted that while he supports the language proposed by the Vermont and Maine regulators, given the process that must be undertaken to ballot the Participants Agreement changes, he would also support the ISO proposal in order to keep the process moving forward on these issues.
- On the request of a participant, Mr. Doot agreed to redline the proposal by the Vermont and Maine regulators against the ISO version for the upcoming Participants Committee meeting.

Stakeholder Process Refinements

- Mr. Joel Gordon, PSEG, introduced his revised proposal on the NEPOOL voting structure, including increased transparency on NEPOOL votes. Mr. Gordon noted that he had revised his earlier proposal so that it would now require consensus from two sectors, not just one, in order to form a minority position. He further described background research he did from October 2008 on that demonstrates that all sectors would benefit from this proposal.
- Mr. Gordon stated that the majority requirements would be 50 percent or more.
- On a suggestion from another participant, Mr. Gordon agreed that he would be amendable to applying this proposal to the Participants Committee only and not to the Technical Committees.
- Another participant noted that it was his experience that it was hard to get anything passed today at the Participants Committee and this would make it more difficult.
- Mr. Gordon stated to the extent the proposal results in a more balanced outcome from a NEPOOL organization perspective he was not sure that would be a bad thing. Mr. Gordon stated that if we cannot reach consensus, we will have better reporting on the various positions filed at FERC.

- Mr. Gordon confirmed that the current rules governing the sector weighed voting process in NEPOOL today would apply equally to his proposal, including the treatment of provisional members.
- Some participants stated that this proposal would further diminish the power of NEPOOL and lead to NEPOOL becoming less relevant.
- Another participant noted that it may be more beneficial not to have NEPOOL advocating a position down at the FERC.
- There was discussion regarding whether those that could not support the changes to the voting structure of NEPOOL could simply support the transparency piece, which would require greater reporting of minority positions at the FERC.
- A participant asked whether this proposal would change anything that ISO would have done in the past, or would do. Mr. Hepper stated that ultimately if ISO wants something done, it will do it, although it will attempt to narrow differences. Mr. Doot stated his belief that this proposal would result in far more advocacy on the part of ISO when it makes its FERC filings.
- Another participant noted his support for increased transparency in filings before the FERC.
- A participant stated that he would have less concerns with the full proposal on the table if the sectors were pure representations of the relative business interests.
- Mr. Gordon then asked the group if he were to take the voting changes off the table and focus instead on the transparency piece, would others be supportive. There was general sentiment that this may be a better way to reach consensus on some of these items.
- Mr. Doot stated that with the transparency piece, NEPOOL Counsel would spend more time explaining the positions of minorities and that NEPOOL Counsel would need to make sure that we have done an adequate job of describing the positions, which would make the job moderately more challenging.
- Mr. Hepper noted that there has been great value in having joint filings with ISO and NEPOOL and that it may become more difficult to include characterization of other positions in the filing letters. He further stated that he thought individual filings by parties were sufficient.
- The process for moving forward on the transparency piece was discussed, with agreement that this proposal was not something that needed a formal Participants Committee vote. There was discussion about including greater information on sector voting in the filing letters as opposed to simply in an attachment so that it was more apparent to those that review the filings.

- Mr. Doot clarified that if participants wanted to change the voting structure of NEPOOL that would require balloting of the Participants Agreement. On the transparency piece, Mr. Doot stated that information on this would be presented to the Participants Committee on Friday.
- There was general agreement that this would be a process that would continually evolve as counsel works out the details on what this would look like.

Conclusion/Next Steps

- Ms. George noted the teleconference to be scheduled later in the week on the consumer liaison proposal, which was the only item left outstanding for the working group to consider.
- Mr. Doot reviewed the process for distribution of materials for the Participants Committee on Friday, April 3. Mr. Timothy Brennan, National Grid, asked to have information relating to the NEPOOL Review Board, included in the materials going to the Participants Committee.