RTO 101 Overview

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What is a Regional Transmission Organization/Independent System Operator (“RTO/ISO”)?

- An electric utility, regulated by FERC, under the Federal Power Act
  
- Has two functions:
  - Operates transmission
  - Operates electricity markets
  
- Has four minimum characteristics:
  - Independent
  - Broad scope and regional configuration
  - Authority to operate all transmission facilities
  - Exclusive authority for short-term reliability
How and Why Were RTOs Created?

• Eliminate inefficiencies of individually operated transmission assets
  – Duplicative costs and investment
  – Pancaked rates
  – Inefficient delivery and barriers to optimize delivery of resources

• Provide non-discriminatory access to transmission service (post-Order 888)

• Provide access over a broad geographic area

• Promote efficiency in wholesale electricity markets

• Ensure that customers pay the lowest price possible for electricity

• FERC Order 2000 to advance the formation of RTOs in a world of ISOs
Who decides which RTO to join and why isn’t there just one?

• Transmission owners participate voluntarily in RTOs

• Impacted by engineering and economic issues

• State authority to authorize participation not pre-empted

• Geographic and political difficulties to creating just one RTO
North American RTOs/ISOs
What Are The Differences Among RTOs?

• Transmission Function

• Markets Function

• Governance
Transmission Functions

- Plan and operate systems of all Participating Transmission Owners
- Provide non-discriminatory access to transmission service
- Single FERC-approved tariff
- Engage in local and regional transmission planning
- Administer competitive transmission processes
- Design and implement cost allocation for new transmission
- Perhaps involved in resource adequacy
Markets Function

- Independently administer and oversee markets
  - Real-Time
  - Day-Ahead
  - Ancillary Services
  - Capacity

- Dispatch resources in economic merit based on submitted bids, subject to transmission deliverability and reliability constraints

- Independent market monitoring
Governance

- Stakeholder processes to develop changes to RTO tariffs and market rules

- Processes for RTOs’ filing of tariff changes pursuant to FPA Section 205 - “statutory filing rights”
  - Apportionment of filing rights among RTO, stakeholders, states
  - Perhaps prior stakeholder agreement before exercise of filing rights

- All parties retain their right to file a complaint under FPA Section 206

- Board formation and succession