

# **RTO 101 Overview**

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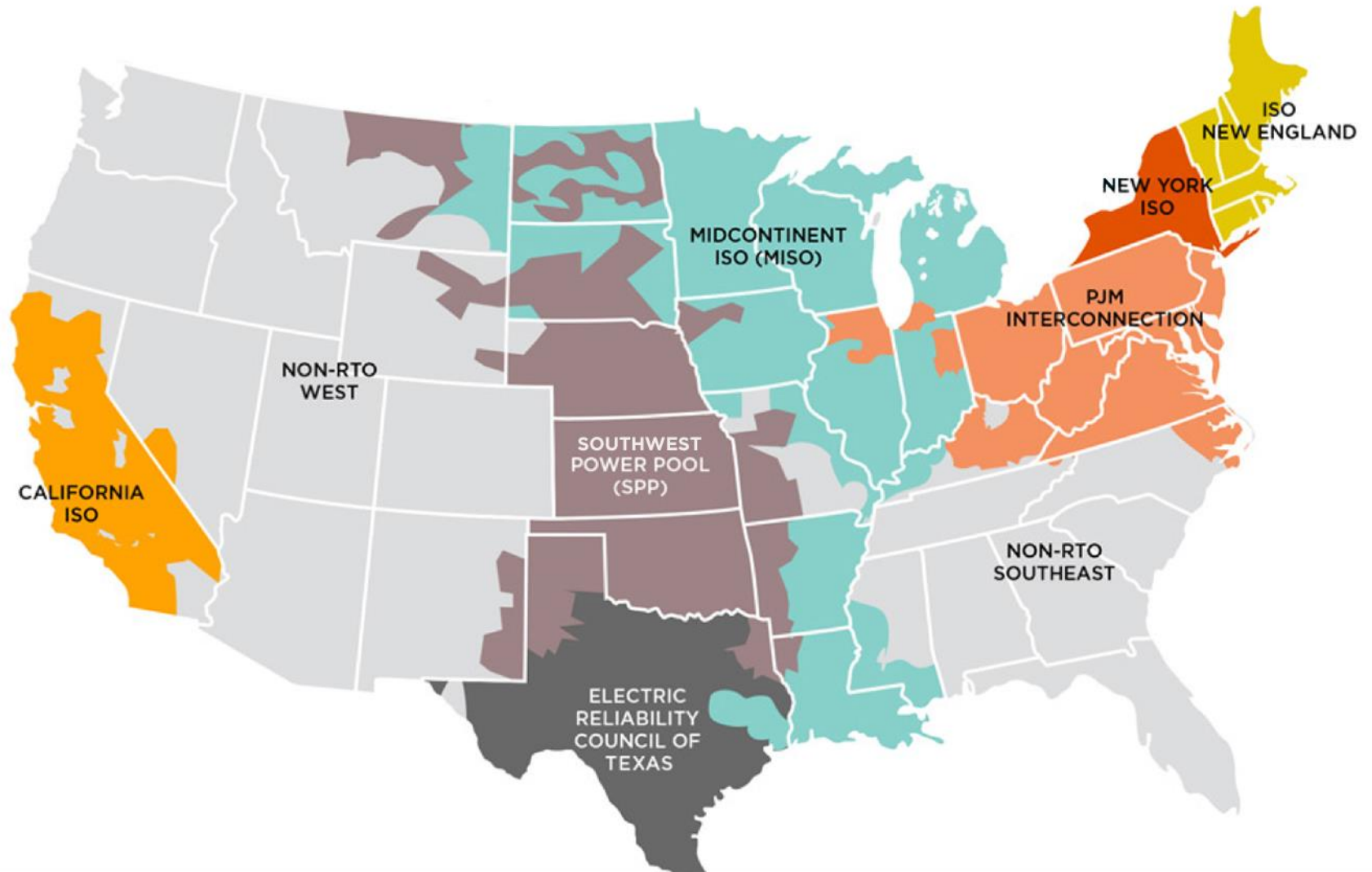


JENNER & BLOCK

# 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**

# North American RTOs/ISOs



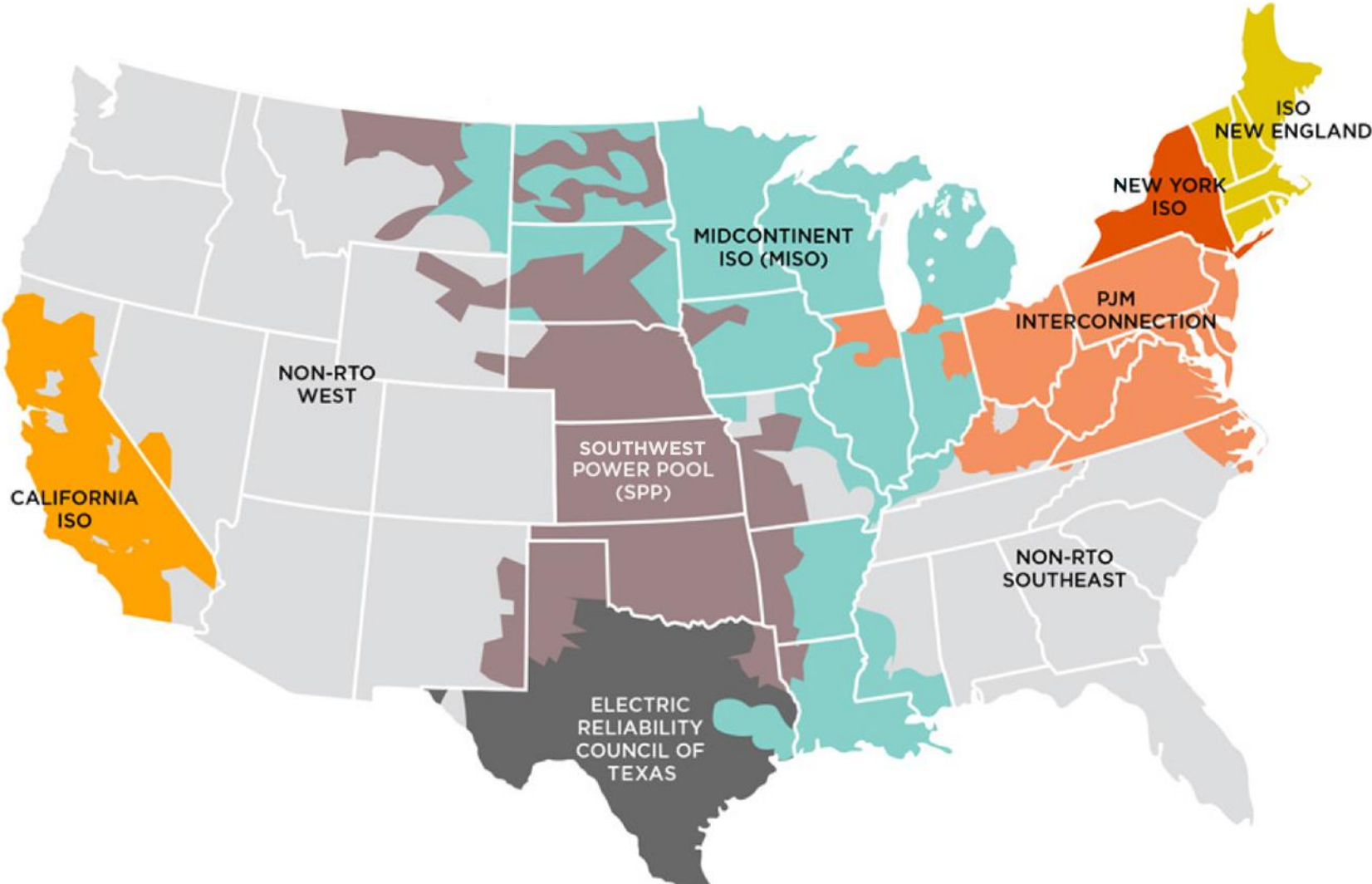
## How and Why Were RTOs Created?

- 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