

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Accounting and Financial Reporting for) **Docket No. RM04-12-000**
Public Utilities Including RTOs)

**COMMENTS OF
ISO/RTO COUNCIL ON
NOTICE OF PROPOSED RULEMAKING**

The Alberta Electric System Operator (“AESO”), California Independent System Operator, Inc. (“CAISO”), Electric Reliability Council of Texas (“ERCOT”), the Independent Electricity System Operator of Ontario (“IESO”), ISO New England, Inc. (“ISO-NE”), Midwest Independent Transmission System Operator, Inc. (“MISO”), New York Independent System Operator, Inc. (“NYISO”), PJM Interconnection, L.L.C. (“PJM”), and Southwest Power Pool (“SPP”) hereby jointly submit comments¹ as the ISO/RTO Council (“IRC”)² in response to the Notice of Proposed Rulemaking (“NOPR”) issued in this proceeding on June 2, 2005.³

The NOPR proposes to amend and update the Commission’s regulations concerning accounting requirements for public utilities that are subject to the Commission’s jurisdiction.⁴ In

¹ In addition to supporting these joint comments, certain IRC members will submit individual comments in this proceeding.

² The nine functioning Independent System Operators (“ISOs”) and Regional Transmission Organizations (“RTOs”) in North America formed the IRC in April 2003. The IRC’s mission is to work collaboratively to develop effective processes, tools and standard methods for improving competitive electricity markets across North America. In fulfilling this mission, it is the IRC’s goal to provide a perspective that balances reliability standards with market practices so that each complements the other, thereby resulting in efficient, robust markets that provide competitive and reliable service to customers.

³ *Accounting and Financial Reporting for Public Utilities Including RTOs*, Docket No. RM04-12-000, Notice of Proposed Rulemaking, 111 FERC ¶ 61,352 (June 2, 2005).

⁴ AESO, IESO and ERCOT, while supporting these comments, are not subject to the Commission’s jurisdiction or a proposed rule on this matter.

particular, the NOPR proposes to establish new accounting categories for ISOs and RTOs. The IRC supports the Commission's goal of developing accounting systems that will enable it to more effectively review ISO/RTO costs, as well as the costs of other public utilities. The IRC recently sent a letter⁵ to the Commission endorsing the NOPR as an important step towards identifying, and comparing, the costs of transmission, reliability and market services. Overall, the NOPR's proposed reforms to the Uniform System of Accounts will advance the Commission's plan to improve the transparency and comparability of all transmission providers' financial information.

There is one NOPR proposal, which would require ISOs and RTOs to include new cost breakdowns in their monthly settlement statements, that the IRC urges the Commission to modify. In Section I, below, the IRC proposes an alternative approach that would achieve the Commission's policy objectives without imposing unnecessary costs on ISOs/RTOs. Section II identifies another element of the NOPR that cannot be fully met by the ISOs/RTOs related to providing information on the transmission of electricity for others. The IRC respectfully asks that the Commission not include this requirement in the final rule as applied to ISOs and RTOs or, in the alternative, clarify that aggregated data will be acceptable for compliance with the rule on January 1. It is important that the Commission act on these requests for clarification quickly so that ISOs/RTOs will have as much time as possible to meet the anticipated January 1, 2006 effective date for rules adopted in this proceeding.

⁵ See *ISO/RTO Council's* June 24, 2005 letter in Docket No. RM04-12-000.

I. Flexibility Is Necessary In Providing The Specified Billing Information To Customers In Order To Minimize The Cost Of Compliance

Section III.F.4 of the NOPR proposes to establish three new sub-accounts for Commission-jurisdictional entities to use when recording costs billed by ISOs and RTOs. The NOPR also proposes that each ISO/RTO “include in its monthly settlement statements a breakdown of the allocation of [their] operational costs within each of the three sub-accounts...”⁶ The IRC does not object to the requirement that ISOs/RTOs divide their costs into the three categories specified by the NOPR for customer information purposes. The IRC’s members, however, expect it to be expensive to include such cost breakdowns in monthly customer settlement statements. ISOs/RTOs have sophisticated billing software that is not easy to modify. A number of ISOs/RTOs would have to make expensive and time-consuming changes to their billing systems in order to incorporate the required cost information directly into monthly settlement statements.

The IRC therefore asks that the Commission not adopt an absolute rule that information on the three new cost sub-accounts be part of the settlement statements. Individual ISOs and RTOs should instead have the flexibility of making the information available through comparable means. A more flexible approach would recognize the reality that different ISOs and RTOs have different software capabilities and allow each entity to comply with the Commission’s requirement in an efficient way. Possible alternative methods could include providing the information through a posting on the ISO/RTO’s website or communicating the information directly to customers through means that do not involve their billing systems. The

⁶ NOPR at P 66.

Commission could require each ISO/RTO to give it notice of the particular method it intends to use after a final rule is issued in this proceeding.

II. Requested Change or, in the Alternative, Clarification to the Proposed Rule

As is discussed below, the NOPR's proposal concerning the reporting of "Transmission of Electricity for Others" requires explanatory details before any information system modifications can begin and simply cannot be fully complied with as proposed. The implementation challenges associated with the reporting of "Transmission of Electricity for Others" is described below. The IRC respectfully requests that the Commission clarify the issues raised below and make the proposed modifications to the rule as quickly as possible in order to allow ISOs/RTOs to be able to target compliance by January 1, 2006. Given the importance of the reforms proposed in this proceeding all of the ISOs/RTOs will strive to make the deadline. However, their efforts would be aided greatly if the Commission provides the requested explanatory details expeditiously.

A. As Proposed, the Requirements for Reporting "Transmission of Electricity for Others" Cannot be Fully Met.

Section III.D.4 of the NOPR proposes to require ISOs/RTOs to report the detailed data currently required from other public utilities on the "Transmission of Electricity for Others" schedule to Form 1 and Form 3-Q.⁷ The requested data is extensive and includes certain information which the ISOs/RTOs simply do not have given the design of their markets. Specifically, the "Transmission of Electricity for Others" schedule to Form 1 and Form 3-Q requests the following detailed data concerning specific transactions utilizing the transmission system:

⁷ Account 456 reported on pages 328 to 330 of Form 1 and Form 3-Q.

1. Column (a) – Payment By
2. Column (b) – Energy Received From
3. Column (c) – Energy Delivered To
4. Column (d) – Statistical Classifications
5. Column (e) – FERC Rate Schedule of Tariff
6. Column (f) – Point of Receipt
7. Column (g) – Point of Delivery
8. Column (h) – Billing Demand (MW)
9. Column (k) – Revenue: Demand Charges
10. Column (m) – Revenue: Other Charges
11. Column (n) – Revenue: Total Revenues
12. Column (i) – Transfer: Megawatthours Received
13. Column (j) – Transfer: Megawatthours Delivered
14. Column (l) – Revenue: Energy Charges

Many ISOs/RTOs do not currently organize transaction data in a way that would allow them to report the information specified on pages 328 to 330. Specifically, they may not have information on: (1) Energy Received From, (2) Energy Delivered To, (3) Point of Receipt, and (4) Point of Delivery given the location of the energy transferred to and from the ISO/RTO is entirely within the boundaries of the ISO/RTO itself. They may also not have the remaining information reservation-by-reservation, only at an aggregate level for the ISO/RTO as a whole. As such, they will not be able to come into compliance with this rule given that the individual ISOs/RTOs treat most service within their footprint as network service rather than individual point to point transactions requiring individual schedules. At most, ISOs/RTOs will be able to

report either aggregated flows, without transaction-specific source and sink information, or very general information about reservations on their systems. As a result, the ISOs/RTOs will simply not be able to comply with this rule absent extremely expensive software and design changes which, in the long run, could be of questionable overall value given the limited use of the requested data.⁸

The IRC therefore respectfully asks that the Commission not include this requirement in the final rule as applied to ISOs/RTOs or, in the alternative, clarify that the aggregated flow data outlined above will be acceptable for compliance with the rule on January 1. To the extent that the Commission wants ISOs/RTOs to report more specific information, it should seek additional comment after the balance of the rule is in effect. Through these subsequent inquiries, it would be helpful for the Commission to describe its needs and provide ISOs/RTOs with the opportunity to comment on the feasibility, timing and cost of compliance.

⁸ The Midwest ISO, as a service to its Transmission Owners, currently files all of the requested information except MWHs Received and MWHs Delivered and plans to continue to do so notwithstanding the IRC request. However, like the other RTOs/ISOs, the Midwest ISO does not now, and will not be able in the future, to report the MWHs Received and MWHs Delivered by transaction absent extensive and expensive system modifications.

III. Conclusion

The IRC supports the NOPR and is committed to helping the Commission achieve the important policy objectives that the NOPR is designed to serve. In order to ensure smooth and timely compliance, the Commission should, however, eliminate the requirement, as proposed, for ISOs/RTOs to report "Transmission of Electricity for Others" and expeditiously grant the other clarifications requested above.

Respectfully submitted,

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