

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Curt Hébert, Jr., Chairman;
William L. Massey, Linda Breathitt,
Pat Wood, III and Nora Mead Brownell.

Regional Transmission Organizations

Docket No. RT01-99-000

ORDER INITIATING MEDIATION

(Issued July 12, 2001)

In separate orders to be issued concurrently with this order, the Commission concludes that it is necessary that the three independent system operators in the Northeastern United States combine to form one Regional Transmission Organization (RTO). In this order, the Commission initiates mediation for the purpose of facilitating the formation of a single RTO for the Northeastern United States.¹

Pursuant to the Commission's requirements in Order No. 2000,² public utilities throughout the country submitted proposals seeking authorization to establish themselves as RTOs. Among those filing proposals were Bangor Hydro-Electric Company, *et al.*, in Docket No. RT01-86-000, the New York Independent System Operator, Inc., *et al.*, in Docket No. RT01-95-000, and PJM Interconnection, L.L.C. (PJM), *et al.*, in Docket No. RT01-2-000. In addition, PJM and Allegheny Power propose to create an RTO in the Mid-Atlantic region to be known as PJM West, in Docket No. RT01-98-000. The Commission addresses the merits of these proposals in separate orders to be issued concurrently with this order. In each, the Commission concludes that, while the scope and regional configuration of the proposed RTOs either are provisionally consistent with Order No. 2000 or do not meet Order No. 2000's scope characteristic, in order to successfully

¹We will consider using mediation in other RTO regions in the future as appropriate.

²Regional Transmission Organizations, Order No. 2000, 65 Fed. Reg. 809 (January 6, 2000), FERC Statutes and Regulations, Regulations Preambles July 1996-December 2000 ¶ 31,089 (1999), *order on reh'g*, Order No. 2000-A, 65 Fed. Reg. 12,088 (March 8, 2000), FERC Statutes and Regulations, Regulations Preambles July 1996-December 2000 ¶ 31,092 (2000), *petitions for review pending sub nom*, Public Utility District No. 1 of Snohomish County, Washington v. FERC, Nos. 00-1174, *et al.* (D.C. Cir.).

address seams issues among the three existing Northeast ISOs and establish efficient markets in the Northeast, it is necessary that all four entities combine to form a single RTO.

We believe that the resolution of issues associated with the formation of a single Northeastern RTO should be the subject of good faith negotiations among the parties in all of these proceedings. To aid the parties in this goal, the Commission will direct Administrative Law Judge H. Peter Young and appropriate consultants to convene a meeting of the parties and to mediate settlement discussions for a period of 45 days, beginning within one week of the date this order issues. Judge Young will be directed to file a report within 10 days after the 45 day period, which will include an outline of the proposal to create a single Northeastern RTO, milestones for the completion of intermediate steps, and a deadline for submitting a joint proposal. Judge Young should coordinate closely with the appointed consultants particularly with respect to milestones and deadlines. The Commission will review the report and may issue further orders as needed. Consistent with Rule 601 of the Commission's Rules of Practice and Procedure, any person appearing at the settlement discussions in a representative capacity must be authorized to act on behalf of that person's principal with respect to matters to be addressed there.³

The Commission orders:

(A) The parties in Docket Nos. RT01-2-000, RT01-86-000, RT01-95-000, and RT01-98-000 are hereby directed to participate in mediation, as discussed in the body of this order.

(B) Judge Young is hereby directed to file a report with the Commission within 10 days of the conclusion of the 45 day period, as discussed in the body of this order.

By the Commission. Commissioner Massey concurred with a separate

³18 C.F.R. § 385.601(b)(2) (2000).

Docket No. RT01-99-000

- 3 -

statement attached.

(SEAL)

David P. Boergers,
Secretary.

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Regional Transmission Organizations

Docket No. RT01-99-000

(Issued July 12, 2001)

MASSEY, Commissioner, concurring:

Today marks a watershed in the evolution of our RTO policy. For the first time we set a clear objective for RTO topography, meaning geographic scope, and indicate a fresh resolve to get the RTO job done.

In the orders addressing the Northeast RTO proposals⁴ and the Southeast RTO proposals,⁵ the Commission adopts as its firm objective a single RTO for the Northeast, one for the Southeast, one for the Midwest, and one for the West. We state this objective for four RTOs covering the entire nation. With this clear statement, we at long last provide much needed guidance to the industry for getting RTOs in place and delivering their benefits to the nation's electricity consumers. This guidance is long overdue. I have long advocated providing such guidance, and believe we could have saved valuable time by articulating it eighteen months ago instead of now. But better late than never. I am pleased that we are moving ahead today.

We show a new resolve today also by directing the parties in the Northeast and those in the Southeast to formal mediation in order to establish a plan for forging a single RTO for their regions and a timetable for doing so. I strongly support this approach. A skilled, neutral judge will help resolve the tough issues that will surely arise and will be able to provide trusted advice to the Commission if and when we need to step in. If this job is going to get done in due time, the presence of a mediator is absolutely necessary.

Each of the regions present their own unique challenges to the mediator. In the Northeast, it is to bring together three ISOs that have done truly pioneering work. They blazed the trail for grid regionalization long before Order No. 2000. Their hard work

⁴Docket Nos. RT01-2-000, RT01-98-000, RT01-10-000, RT01-95-000, RT01-86-000, and RT01-94-000.

⁵Docket Nos. RT01-74-002 and -003, RT01-77-000, RT01-34-000 and -002, and RT01-75-000 and -003.

showed us the way in many respects and brought benefits to their customers. We owe them our thanks. In the Southeast, the challenge is to kick start a region that has been sorely lagging the rest of the nation in grid regionalization. It's long past time to move forward.

I am also heartened that today's orders addressing the Northeast clearly set PJM as the platform upon which the Northeast RTO will be built. The PJM market design, which is based upon locational marginal pricing, has proven itself again and again. The PJM market design works, and so I am particularly pleased that our chosen platform for Northeast RTO development is PJM. Indeed, the fact that the New England ISO decided to acquire the PJM market design speaks volumes. Setting PJM as the platform for the region is yet another indication of our firm resolve to achieve a single RTO in the Northeast.

While I am very pleased with the resolve we are showing in the Northeast and the Southeast, I am disappointed that we are not applying that same resolve in all regions, and for that reason I will concur with that aspect of several of today's orders.

To facilitate the timely development of the single Midwest RTO, which our orders today state as a clear objective, I would direct Alliance, the Midwest ISO, and the Southwest Power Pool to a mediation proceeding with the same objective and timetable as that for the Northeast and Southeast RTOs. The settlement that we approved between the Alliance and Midwest ISO was a bold step in the right direction, but those institutions should have been directed toward a single RTO from the outset. And SPP would add even greater scope to the Midwest RTO. We direct SPP to the Southeastern mediation but recognize they may well belong in the Midwest. I believe they do and we should provide now the needed direction and forum for SPP to accomplish its RTO responsibilities. Although I am pleased with the progress we make today, I am somewhat disappointed that we once again miss a golden opportunity to achieve in the Midwest what we insist upon in the Southeast and the Northeast.

RTO West provides a superb start toward a single RTO for the West. It is a worthy anchor institution for the region. The events of the past year have dramatically shown that the West is truly a single regional market that needs single grid management. I recognize the exceptionally tough challenges to attaining a Western RTO. That's why I believe formal mediation and a timetable for resolution is essential now for the West aimed at a single RTO, and I am disappointed we do not take such a step today.

We must get in place the organizational as well as the physical infrastructure needed to support well-functioning competitive electricity markets. RTOs are a critical part of the competitive infrastructure.

And finally, in the orders addressing the Northeast RTO proposals, the Commission expresses its intention to evaluate in the near future the importance of standardizing generation interconnection procedures. I've long advocated such standardization so this is a big step in the right direction. But again, I would have been clearer and firmer in expressing our resolve to standardize interconnection procedures. For me, the time to evaluate whether to do so is past. It's time simply to do it.

Interconnection standardization is good for the market. Generators should make location decisions based on economics, not on the basis of a patchwork of idiosyncratic interconnection standards. Establishing uniform standards will be good for generation investment and good for consumers. And standardization would be good for the Commission's staff resources. It's no secret that the staff is laboring under a crushing work load. Processing a multitude of interconnection filings eats up staff time. Standardization will free staff for other important work.

I heartily welcome the bold steps we take today. This action is needed if we hope to get RTOs that are consistent with the standards and goals of Order No. 2000 in place in the near future. Nevertheless, I would have taken even bolder action in the respects I have underscored.

Therefore, I concur with today's order.

William L. Massey
Commissioner