

RTOs: All that Glitters is Not Gold

By Bill Malcolm

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About AARP

AARP, with its nearly 38 million members in all 50 States, the District of Columbia, and the U.S. territories, is a nonpartisan, nonprofit, nationwide organization that helps empower people to choose how they live as they age, strengthens communities, and fights for the issues that matter most to families, such as healthcare, employment and income security, retirement planning, affordable utilities and protection from financial abuse.

Learn more at www.aarp.org.



Our utility positions

- Fair and affordable rates
- Oppose demand charges & increased customer charges
- Oppose surcharges
- Question subsidies
- Low prices and a surplus of power are not a problem



AARP's RTO policy

The Federal Energy Regulatory Commission (FERC), with assistance from the states, should ensure that regional transmission organizations (RTOs):

- *are cost-effective, transparent, and accountable in governance to a broad group of stakeholders, including residential consumer representatives*
- *minimize cost of operations to ratepayers*
- *include mechanisms for diverse representation of residential ratepayers in proceedings*
- *follow open meetings laws and publish market bid data in a timely fashion*
- *are completely independent of transmission and distribution owners and generators*
- *provide protections against market manipulation*
- *enact ethics reforms, including a ban on revolving door hiring*

Source: Chapter 10, AARP Policy Book



Real Possibilities

AARP has engaged on RTO issues

- **Opposed MISO's plan to impose a 3-year capacity market on Illinois and Michigan only**
- **Questioned the benefits of the SPP proposal to Colorado consumers**
- **Urged the ERCOT and the TX PUC to closely monitor the Vistra Dynegy merger**
- **Active in the single state subsidy debate**

RTOs: Fiction vs. Facts

RTOs are independent

RTO membership is voluntary. Duty to maximize throughput

RTOs are transparent

RTOs are complex institutions with hundreds of meetings.

RTOs reduce rates

Higher ROEs, uplift fees, surcharges, enhanced capacity payments, costs for transmission built in other states an issue

RTOs are heavily regulated

Budgets not filed, formula rates, filed rate doctrine

Lessons Learned from 20 years of RTOs



WHAT HAS WORKED

- **Elimination of pancaked transmission rates**
- **Regional dispatch of generation**
- **Regional transmission planning**

WHAT NEEDS IMPROVEMENT

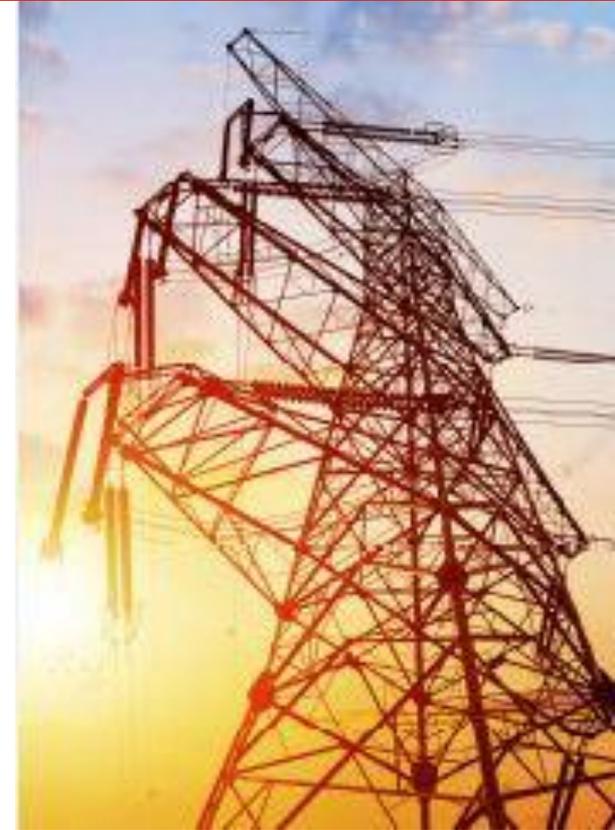
- **Dysfunctional footprints, seams issues**
- **Hard to deal with state preferences and policies**
- **FERC jurisdictional issues and RTO mission creep**
- **Lack of focus on cost impact of proposals and initiatives on retail customers**
- **Stakeholder process (700 meetings a year)**
- **Administrative budgets (\$500 million)**

The State of RTOs Today: A Mid-Life Crisis

- **NJ BPU has threatened to exit PJM due to interference with state energy policy**
- **Vistra has threatened to exit MISO and go to PJM**
- **DOE proposed subsidy**
- **Single state out of market subsidies**
- **ISO NE Mystic subsidy**
- **Bottom line: Higher costs for consumers**

RTO Options

- **SPP-Not in Western grid**
- **CAL ISO-Board appointed by CA Gov, must abide by CA policies**
- **Peak-PJM-Control center in Loveland, ending in 2019**
- **NO RTO – best for now!**



For further information

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About Bill Malcolm

- **Founding employee, MISO (2000-2012)**
- **Founding member, ISO RTO Council**
- **Has lived in Boulder and Snowmass**
- **Attended University of Colorado**
- **Worked at PG&E and Pacific Power**
- **BA - UC –Santa Cruz**
- **MA - University of Washington**
- **Handles national utility work for AARP**
- **Details on his LinkedIn site** 8/14/2018