

Comments on the New England Energy Vision: Governance
The Nature Conservancy in Connecticut
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Thank you for the opportunity to submit comments on behalf of the Connecticut Chapter of The Nature Conservancy regarding issues with the Independent System Operators New England governance identified by the New England States Committee on Electricity and the New England Energy Vision forums.

In the US, we rely on the Federal Energy Regulatory Commission (FERC) to ensure that wholesale energy transactions will lead to “just and reasonable rates” that further the public interest. FERC gives broad authority to regional transmission operators (RTOs) and independent system operators (ISOs) to provide the market rules, market monitoring, transmission terms, and resource planning functions necessary to ensure “just and reasonable” rates and terms that promote the public interest. For the six New England states, the Independent System Operator New England (ISO-NE) is tasked with this goal.

Understanding the difficulty of governing such a complex sector, we appreciate the efficiency and effort in which ISO-NE has led the region. However, we believe that their governance style and decisions do not currently meet the needs of the people they serve. As our energy system and policies have evolved, so must the ways in which ISO-NE governs New England. The states represented by New England States Committee on Electricity (NESCOE) have and continue to create policies around clean energy goals, which should signal that the paradigm of the current ISO-NE governance must change to accommodate those goals. This has not been the case.

We see necessary reform in the ISO-NE governance structure that covers the lack of:

1. Transparency in board makeup and decisions
2. Accountability to consumers and rate payers
3. Inclusion of state policies and goals in planning and decisions

To our first concern, there is a lack of transparency in board appointments and decisions. Establishing trust can be done with making board meeting minutes publicly available. The appointments and decisions made by the board are assumed to be in the interest of stakeholders, but without understanding how these decisions are rendered, there can be no trust. RTO/ISOs are publicly funded non-profit organizations, and there is not a clear reason why board meetings minutes are not publicly available. It is our understanding that other RTO/ISOs have open board meetings and we believe that ISO-NE should follow suit or provide justification for why they cannot do so.

Commissioner Dykes, from Connecticut, has voiced concern over the ability for state officials to have influence over ISO-NE board decisions. It appears that decisions have frequently ignored the states’ perspectives and proposals, even in circumstances where all six of the separate sovereign states were unanimously in support. This is true even in circumstances where a majority of NEPOOL stakeholders are in support of those proposals. This is concerning and there appears to be no justifiable rationale for

why these decisions were made, what the deliberations were and how they have led to rejection of state proposals. To this point, it may be beneficial to all if NESCOE and the represented states were able to veto a board decision.

This also brings up the subject of “stakeholders”. From the recent webinar on ISO-NE governance, it was stated that stakeholders generally means the New England Power Pool (NEPOOL) participants. Consumer advocacy groups, state legislators, environmental NGOs, and the general public are not well represented in what ISO-NE considers “stakeholders”. With such an emphasis on the power suppliers and marketers, there is a perception that the public interest is not taken into account when the board makes decisions. ISO board membership should reflect the perspective of all major stakeholders in the process, and this includes the consumers.

To our second concern, there is a strong need for better accountability. We emphasize that ISO-NE is publicly funded, and decisions made by the board are paid for by the public. Electric rates in New England are very high. Understanding why rates are so high and what comprises the resource mix is important because we are funding the system. The burden of rate information is born solely by state departments with no recognition that ISO-NE is responsible for regional planning and hence what makes up the resource mix we are paying for.

As a result of FERC order 719 there is currently some reference to cost in the ISO mission statement but it is nowhere near as robust as it needs to be in recognition of consumer cost concern. This is especially relevant given current events.

To our final concern, there needs to be a better alignment of state policy and ISO-NE planning. To their credit ISO-NE has always been willing to attend any requested meeting of a state, Commissioner, or energy office to provide information on markets, transmission, and reports. However, communication has not prompted the integration of state policies in a meaningful way. Active integration will improve both the operation of the system and the efficiency of the markets, which could potentially reduce costs to ratepayers in all states. Given that Connecticut currently has the highest electricity rates out of all the “lower 48” states, this is of particular concern to the Connecticut Chapter of The Nature Conservancy.

Currently, ISO-NE’s mission statement and system plans revolve around reliability. While we fully recognize the need for reliable energy, affordability and clean energy priorities from the New England states are also extremely important. There should be a balance through active integration of wholesale markets and state programs.

We also recommend that ISO-NE’s mission statement be amended. The mission statement impacts system planning, market structures, inclusivity and decision making. If we can change the mission statement to include incorporation of transparency, costs, and state policy, every other future decision ISO-NE makes will change.

Thank you for this opportunity to voice our concerns over ISO-NE governance through this forum. We look forward to continued participation in the future regarding these issues.