

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

Performance Metrics for ISOs, RTOs and )  
Regions Outside of ISOs and RTOs )

Docket No. AD19-16-000

**COMMENTS OF THE AMERICAN PUBLIC POWER ASSOCIATION**

In accordance with the Federal Energy Regulatory Commission’s (“Commission”) request for comments,<sup>1</sup> the American Public Power Association (“APPA”) submits these comments on the reinstatement and revision of the Common Metrics information collection.

**I. INTERESTS OF APPA**

APPA is the national service organization representing the interests of the nation’s 2,000 not-for-profit, community-owned electric utilities. Public power utilities are located in every state except Hawaii. They collectively serve over 49 million people and account for 15 percent of all sales of electric energy (kilowatt-hours) to ultimate customers. Public power utilities are load-serving entities (“LSEs”), with the primary goal of providing the communities they serve with safe, reliable electric service at the lowest reasonable cost. This orientation aligns the interests of the utilities with the long-term interests of the residents and businesses in their communities.

Many APPA members obtain wholesale power supplies and bulk transmission services from Commission-regulated public utilities, both in regions with Regional Transmission Organizations or Independent System Operators (together, “RTOs/ISOs”) and in regions outside RTOs/ISOs. APPA and its members therefore have a substantial interest in the rates, terms and

---

<sup>1</sup> FERC–922, Performance Metrics for ISOs, RTOs and Regions Outside of ISOs and RTOs, 84 Fed. Reg. 32,908 (July 10, 2019) (“Comment Request”).

conditions of Commission-jurisdictional transmission and wholesale power supply services, including the transmission and ancillary services RTOs/ISOs provide and the wholesale energy and capacity markets RTOs/ISOs operate — and in particular whether these RTO/ISO markets are providing benefits to LSEs and the public they serve.

## **II. COMMENTS**

### **A. APPA Strongly Supports Reinstatement of Data Collection on Metrics**

APPA has long supported the use of RTO/ISO performance metrics and consistent reporting of those metrics and commends the Commission for proposing to reinstate this information collection, particularly the addition of metrics for RTO/ISO capacity markets. APPA agrees that the proposed metrics contained in the Comment Request would all provide useful data for both stakeholders and the Commission in its oversight of RTO/ISO-operated markets. APPA also agrees that the User Guide and Input Spreadsheet are likely to improve the quality and consistency of the data collected.

The electric industry and the RTO/ISO-operated markets have and will continue to face many challenges and questions, including but not limited to whether the centralized markets are the best means for procuring needed resources and services, if the energy markets require revisions to the price formation rules, and how well RTO/ISO governance is functioning for all market participants and stakeholders. While interested stakeholders may have widely diverging views on such issues, a comprehensive set of data on performance metrics, especially for the RTOs/ISOs, is an important component of developing and evaluating market rules and policies to address these and other issues. In the sections below, APPA offers some recommendations on how the Commission could further “enhance the quality, utility and clarity”<sup>2</sup> of the metrics

---

<sup>2</sup> Comment Request at p. 32,911.

information it proposes to collect, with a particular focus on the metrics applicable to RTO/ISO regions.

## **B. Comments on Development and Use of Metrics**

APPA submits that the value of the Commission's effort would be greatly improved by an expansion of the data collected and a more in-depth review and analysis of the collected information by Commission Staff. This section provides several process recommendations with these purposes in mind.

1. Metrics should not necessarily be limited to information that is already collected and published by the RTOs/ISOs.

The proposed RTO/ISO performance metrics include only information that is already collected and reported by at least some of the RTOs/ISOs – primarily by the market monitors in their reports on the RTO/ISO markets, as have past metrics. While there are certainly benefits to having that data reported in a consistent manner for all RTO/ISOs, the Commission should not limit RTO/ISO performance metrics to information currently collected by the RTOs/ISOs or their market monitors. Instead, the Commission should determine which data are needed for a full evaluation of RTO/ISO performance and require the RTOs and ISOs to provide this information.

While some of APPA's recommendations are for data not currently provided by the RTO/ISOs, the majority involve information that is reported by at least some of the market monitors. There are several cases where highly useful information is being provided by only one or two RTO/ISO market monitors and can serve as a model of a best practice that could then be adopted by the Commission in the metrics, as discussed in APPA's recommendations below.

2. Commission Staff should expand its quality checks of the data and undertake a critical analysis of the data submitted.

APPA supports the proposed User Guide and Input Spreadsheet, which are likely to improve the quality and consistency of the data provided. The Comment Request, however, does not address how Commission Staff might improve or expand its quality checks of the data submitted, which a Government Accountability Office 2017 analysis found “historically have been limited.”<sup>3</sup>

In addition to ensuring data quality, the manner in which Commission Staff processes and interprets the data is a critical part of this effort. For example, the most recently released Commission Staff report on RTO/ISO performance metrics, covering the years 2010 through 2014, included a summary of “Key Insights Regarding RTOs and ISOs” which stated that the RTOs and ISOs managed the dispatch of energy from a diverse set of generating fuel-types; maintained adequate power supplies, in accordance with planned reserve margins; reported the approval of a large number of transmission projects for reliability purposes; and had varied administrative costs per megawatt-hour.<sup>4</sup> While such observations about the RTOs and ISOs performing their basic duties are useful as far as they go, the Common Metrics report would be significantly more useful and instructive if it were to address questions such as whether the markets are providing benefits to consumers, the extent of market concentration and the potential exercise of market power, and whether the development of transmission and procurement of

---

<sup>3</sup> U.S. Government Accountability Office, *Electricity Markets: Four Regions Use Capacity Markets to Help Ensure Adequate Resources, but FERC Has Not Fully Assessed Their Performance*, Report No. GAO-18-131 (Dec. 2017) at 37, available at <https://www.gao.gov/assets/690/689293.pdf>.

<sup>4</sup> Common Metrics Report: Staff Report, Federal Energy Regulatory Commission at 10-12 (August 2016 – Revised August 2017), available at: <https://www.ferc.gov/legal/staff-reports/2016/08-09-common-metrics.pdf>. (“2016 Metrics Report”).

capacity is being accomplished in the least-cost and most efficient manner. For example, the 2016 Metrics Report stated that “RTOs and ISOs report capacity in excess of planned reserve levels in each year from 2010-2014,”<sup>5</sup> but the report did not address whether the costs of procuring higher amounts of capacity than required created adverse impacts on consumers.

3. Commission Staff should identify opportunities for comparisons to non-RTO/ISO regions.

Although APPA is focusing these comments on the RTO/ISO-provided metrics, there is value in comparing some of these data to information for non-RTO/ISO regions. While a direct comparison between the data directly collected by the Commission from non-RTO/ISO utilities and the RTOs/ISOs may be of limited value given the small number of non-RTO/ISO utilities that the Commission projects will respond to the information collection request,<sup>6</sup> there are available sources of aggregate data that could provide for some meaningful comparisons. For example, the North American Electric Reliability Corporation provides data on reserve margins according to region. Comparing reserve margins among RTOs/ISOs with or without capacity markets and non-RTO/ISO regions would provide a perspective on whether some market structures may lead to an excess procurement of capacity. Similarly, aggregate data are available from the Energy Information Administration on the new capacity developed each year by state that could show differences between the different RTOs/ISOs and the non-RTO/ISO regions in the amounts and types of technologies for this new capacity. While these comparisons may not

---

<sup>5</sup> *Id.* at 11.

<sup>6</sup> Five utilities representing seven Balancing Authority Areas responded in 2015, and the Comment Request estimates that five utilities including ten Balancing Authority Areas will respond to the current data collection. Comment Request at p. 32,910.

directly lead to conclusions about the benefits of the RTO/ISO markets, they could be useful data points.

### **C. Recommendations on Individual Proposed Metrics**

This section provides APPA's recommended revisions to the proposed metrics.

#### **1. Metric #13 (Price-Cost Markup)**

With respect to Metric #13, the Commission should also require that an adjusted price-cost markup be submitted, where applicable, that removes any adder to the cost denominator. For example, PJM Interconnection, L.L.C. ("PJM") allows generators to add an additional 10 percent to their cost-based offer. Monitoring Analytics, PJM's market monitor, explains that this "adder was included prior to the implementation of PJM markets in 1999, based on the uncertainty of calculating the hourly operating costs of CTs [Combustion Turbines] under changing ambient conditions. The owners of coal units, facing competition, typically exclude the additional 10 percent from their actual offers."<sup>7</sup> PJM's State of the Market Reports therefore include an adjusted markup to exclude this adder, producing a lower denominator in the calculation. Similarly, the California ISO ("CAISO") Department of Market Monitoring ("DMM") explains that "because a significant amount of gas-fired supply is bid at prices lower than the unit's default energy bid (which includes a 10 percent adder), using default energy bids tends to overestimate the competitive baseline price."<sup>8</sup>

---

<sup>7</sup> Quarterly State of the Market Report for PJM: January through June 2019, Section 3, Monitoring Analytics, LLC (August 2019) at 198, available at: [http://www.monitoringanalytics.com/reports/PJM\\_State\\_of\\_the\\_Market/2019/2019q2-som-pjm-sec3.pdf](http://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2019/2019q2-som-pjm-sec3.pdf).

<sup>8</sup> CAISO 2018 Annual Report on Market Issues and Performance, Department of Market Monitoring (May 2019) at 154, available at: <http://www.caiso.com/Documents/2018AnnualReportonMarketIssuesandPerformance.pdf>.

The purpose of the price-cost markup metric is to indicate whether suppliers may be exercising market power by offering energy for sale at a price that greatly exceeds the actual costs of production, which is the competitive offer. If an adder is included in determining the costs then, as noted by the CAISO DMM, the measure of a competitive offer is overstated. Removing any adders from the cost denominator improves the accuracy of this metric.

## 2. Metric #16 (Congestion Management)

This is a useful metric, but the descriptions in both the User Guide and the Input Spreadsheet create uncertainty about what will be reported.

According to the User Guide, this “metric reflects the amount of congestion normalized by the RTOs/ISOs’ load. Financial Transmission Rights (‘FTRs’) are a financial product that provide a hedge against congestion. The metric also estimates the value of such hedges.”<sup>9</sup> This description is unclear and does not state what the metric will measure. APPA first supports the request made by the Transmission Access Policy Study Group (“TAPS”) within their comments in this docket for an improved definition of congestion charges and revenues. Second, APPA requests that greater clarity be provided in the final step in the Input Spreadsheet for the metric (line 16.05) which is described as “the percentage of congestion charges *divided by congestion revenues* returned to load serving entities expressed as a percent” (emphasis added).<sup>10</sup> But if the question is how the FTRs, Auction Revenue Rights (“ARRs”) and other instruments, together serve as a hedge for congestion costs incurred by LSEs, then the data should reflect the congestion revenues returned to load *as a percentage of the charges paid by load*, which would then show how much of the LSEs’ congestion costs are returned to them. Also, the description

---

<sup>9</sup> User Guide at 17.

<sup>10</sup> Input Spreadsheet at 21.

states that it is the percentage of congestion charges that should be divided by the revenues rather than the total dollar amounts, creating further uncertainty.

An example of a more straightforward measure of how effectively a congestion management tool provides a hedge to load is the kind performed by Monitoring Analytics, showing “the sum of the congestion related revenues (offset) paid to load in each zone *divided by* the total congestion payment made by load in each zone” (emphasis added).<sup>11</sup> APPA recommends that this measure be used for this metric and that the data be collected on a zonal basis.

The congestion management metric should also document how the payments for FTRs and similar instruments that are purchased in an auction compare to the revenues paid to such instrument holders, and the extent of the transfer of funds by LSEs to the holders of these instruments, which are largely financial entities.<sup>12</sup> These data would indicate whether the auction price paid for these instruments is below their actual value, an indicator of a lack of competition in the auction market. If the holders paid less than they will be receiving in revenue, it is the entities that have funded the transmission system that must provide revenue to the owners of the underpriced instruments. For example, the CAISO DMM collects this information, and recently reported that:

In the ten years since the start of the congestion revenue rights auction in 2009, revenue from congestion revenues rights sold in the auction have consistently been well below the congestion revenues paid out to entities purchasing these congestion revenue rights.

---

<sup>11</sup> FTR/ARR Market Construct Problem Statement, Monitoring Analytics LLC (September 2019), available at: [http://www.monitoringanalytics.com/reports/Presentations/2019/IMM\\_MIC\\_FTR\\_Market\\_Design\\_Issues\\_Problem\\_Statement\\_20190911.pdf](http://www.monitoringanalytics.com/reports/Presentations/2019/IMM_MIC_FTR_Market_Design_Issues_Problem_Statement_20190911.pdf).

<sup>12</sup> In referring to “financial entities,” APPA means the kinds of market participants that, in the CAISO DMM’s description, “own no physical energy and participate in only the convergence bidding and congestion revenue rights markets.” CAISO 2018 Annual Report on Market Issues and Performance at 138. In contrast to financial entities, “[p]hysical generation and load are categories of participants that primarily participate in the ISO as physical generators and load-serving entities, respectively.” *Id.*

Through 2018, transmission ratepayers have lost about \$860 million in congestion revenues paid out in excess of revenues received from the auction. This represents only about 50 cents in auction revenues for every dollar paid to congestion revenue rights holders. Most of these profits have been received by financial entities that do not sell power or serve load in the ISO.<sup>13</sup>

### 3. Metric #18 (New Entrant Net Revenues)

According to the User Guide, this metric “measures the total revenues from the energy and ancillary services markets . . . that a new entrant could be expected to receive, based on proxy resources, for both a combustion turbine and a combined cycle.”<sup>14</sup> The description goes on to explain that “Costs reflect total production cost (including fuel costs) over the reporting period. Capacity market revenues should be omitted from this metric.”<sup>15</sup>

APPA recommends a second component to this metric for those RTOs/ISOs with capacity markets – one that shows how all revenues received, including from capacity markets, compare to a proxy unit’s levelized cost of new entry. This information is already presented in the RTO/ISO market monitor reports,<sup>16</sup> and it provides a portrait of the full scope of the revenues received from the markets, how well costs are covered and whether there is any excess cost recovery when all market revenues are included.

---

<sup>13</sup> CAISO Q1 Report on Market Issues and Performance, Department of Market Monitoring (June 2019) at 38, available at: <http://www.caiso.com/Documents/2019FirstQuarterReportOnMarketIssuesAndPerformance.pdf>. The market monitor also reports that the transfer from load to financial entities has been reduced in the first quarter of 2019 due to new CAISO market rules.

<sup>14</sup> User Guide at 18.

<sup>15</sup> *Id.*

<sup>16</sup> 2018 Annual Markets Report, ISO New England, Inc., Internal Market Monitor, (May 2019), Figure 2-11, available at <https://www.iso-ne.com/static-assets/documents/2019/05/2018-annual-markets-report.pdf>; 2018 State of the Market Report for the New York ISO Markets, Potomac Economics (May 2019), Figure 16, available at <https://www.nyiso.com/documents/20142/2223763/2018-State-of-the-Market-Report.pdf/b5bd2213-9fe2-b0e7-a422-d4071b3d014b?t=1557344025932>; 2018 State of the Market Report for PJM, Section 7, Monitoring Analytics (March 2019), Table 7-34, available at: [http://www.monitoringanalytics.com/reports/PJM\\_State\\_of\\_the\\_Market/2018/2018-som-pjm-sec7.pdf](http://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2018/2018-som-pjm-sec7.pdf).

#### 4. Metric #22 (New Capacity)

The value of the new capacity metric would be greatly enhanced were it also to include the technology of the new capacity, as well as the financial arrangement (including ownership by a utility or end-use customer; bilateral contracts with utilities or with customers; or merchant – where no revenues are received from ownership or contracts). APPA recognizes that this metric does not reflect data collected by the RTOs/ISOs, but such data is available, and APPA has on its own collected and reported this information.<sup>17</sup>

Such data on the financial arrangements behind new capacity would shed light on the extent to which RTO/ISO-operated markets are significant contributors to new capacity development and/or whether more stable, longer-term financial arrangements would promote capacity development, and therefore provide useful context for evaluating data on net revenue (Metric #22). Moreover, these data will show whether certain technology types tend to have more stable arrangements while other technologies more frequently rely on market revenues.

#### 5. Metric #25 (Capacity Market Procurement and Prices)

APPA supports the inclusion of data on bilateral contracts within this metric (line 25.10)<sup>18</sup> and recommends the addition of capacity ownership by a vertically-integrated utility. As discussed with regard to Metric #22, information about the extent to which the RTO/ISO footprint is characterized by vertically-integrated utilities that are primarily responsible for investments in resources (rather than merchant-owned generation) would provide necessary context for consideration of metrics on the revenues from the capacity market.

---

<sup>17</sup> Financial Arrangements Behind New Generating Capacity and Implications for Wholesale Market Reform, American Public Power Association (July 2018), available at: [https://www.publicpower.org/system/files/documents/Financial\\_Arrangements\\_Behind\\_New\\_Generating\\_Capacity\\_2018\\_1.pdf](https://www.publicpower.org/system/files/documents/Financial_Arrangements_Behind_New_Generating_Capacity_2018_1.pdf).

<sup>18</sup> Input Spreadsheet at 31.

Data on the total amount of capacity that recovers its costs from “non-market sources” would be extremely useful. Simply providing a breakdown of the ownership of capacity, such as by independent power producer, marketer or integrated utility can provide insight into how much of the generation is funded by an integrated utility outside of the markets, as is provided by the Southwest Power Pool (“SPP”) market monitor.<sup>19</sup>

#### **D. Recommendations for Additional Metrics**

This section contains APPA’s recommendations for additional metrics to the proposed set contained in the Comment Request. These metrics would be collected by all the RTOs/ISOs, both with and without capacity markets (Groups 2 and 3), and for the same time frame as the proposed metrics (2014 through 2018).

##### **1. Comprehensive Transmission Cost Metric**

As noted in a recent letter to the Commission from a group of state regulators, public power utilities, electric cooperatives, consumer advocates, industrial users of electricity, and associations, substantial transmission cost increases have been borne by customers in many regions of the country in recent years.<sup>20</sup> The letter also notes that policy changes under consideration in the two Notices of Inquiry (“NOIs”) on transmission incentives (PL19-3) and return on equity (ROE) policies (PL19-4), could contribute to further increases in transmission costs, while other NOI proposals would likely mitigate these expenses.

APPA recommends a comprehensive metric on transmission costs that will provide valuable data as the Commission considers the issues raised in the NOIs, and, more broadly, as

---

<sup>19</sup> SPP State of the Market 2018, Market Monitoring Unit (May 2019), Figure 2-3, available at: <https://www.spp.org/documents/59861/2018%20annual%20state%20of%20the%20market%20report.pdf>.

<sup>20</sup> Letter to Chairman Neil Chatterjee, and Commissioners Richard Glick, Cheryl A. LaFleur, and Bernard L. McNamee Re: Docket Nos. PL19-3 and PL19-4 Notices of Inquiry and Increasing Transmission Costs (August 23, 2019), available at: <https://elibrary.ferc.gov/idmws/common/OpenNat.asp?fileID=15333944>.

the Commission and interested stakeholders – particularly those in RTO/ISO regions – seek to ensure that transmission rates are just and reasonable. Currently the only transmission cost data within the performance metrics are the per-MWh transmission costs included in Metric #12 (Wholesale Power Costs by Charge Type). The collection of this information in the Common Metrics report is useful, given that only two RTO/ISO market monitors – for PJM and ISO-New England (“ISO-NE”) – report the per-MWh transmission costs. But while useful, this metric is only a single data point on transmission costs, and it should be expanded.

APPA’s recommended comprehensive transmission costs metric includes the following for each of the metric reporting years (2014 through 2018):

- The total and per-MWh transmission costs, including a breakdown for each transmission cost component described for Metric #12 (transmission service charges, transmission facility charges, losses, network integration transmission service, etc.).<sup>21</sup>
- The dollar and percentage increase in the total transmission rate base and the revenue requirement charged to market participants.
- The dollar and percentage change in congestion costs charged to load-serving entities.
- The number of projects and associated rate base for both non-incumbent and incumbent developer transmission projects brought on-line.

## 2. Existing Capacity Revenues and Cost Recovery

Metric #18 only addresses revenue earned by hypothetical new entrants, but another key variable is the extent to which actual existing capacity is over- or under-recovering its costs in the RTO/ISO-operated markets, which is not covered by any of the proposed metrics. These data can be reported in the aggregate – as is done by some market monitors – without violating

---

<sup>21</sup> See User Guide at 15.

the confidentiality of individual resources. For example, Monitoring Analytics provides a detailed report of the percentage of avoidable costs recovered through the PJM markets according to quartile and technology for existing units.<sup>22</sup> SPP indicates whether certain technologies are recovering their avoidable cost by zone.<sup>23</sup> The Commission should adopt a similar measure as a Common Metric.

### 3. Concentration of Generation Ownership

The metrics do not provide any data on the concentration of ownership of capacity resources, which can indicate the potential for the exercise of market power. Data on market concentration are currently collected and provided by the market monitors for ISO-NE, the Midcontinent ISO (“MISO”), and PJM.<sup>24</sup> A similar metric should be included in the Commission’s information collection. To reduce the burden on collecting and reporting this information, the metric could be limited to reporting just the largest market shares. APPA recommends the addition of a metric on the market share of capacity for the largest three generation owners for both the total RTO/ISO and by zone, but without necessarily identifying the owners.

---

<sup>22</sup> See 2018 State of the Market Report for PJM, Section 7, Monitoring Analytics LLC (March 2019), Table 7-34.

<sup>23</sup> SPP 2018 State of the Market, Market Monitoring Unit (May 2019), Figure 4-45.

<sup>24</sup> 2018 Assessment of the ISO New England Electricity Markets, Potomac Economics (June 2019), Figure 3-45, available at: [https://www.potomaceconomics.com/wp-content/uploads/2019/06/ISO-NE-2018-SOM-Report\\_Final-1.pdf](https://www.potomaceconomics.com/wp-content/uploads/2019/06/ISO-NE-2018-SOM-Report_Final-1.pdf); 2018 State of the MISO Report for the MISO Electricity Market, Analytic Appendix, Potomac Economics (July 2019), Figure A138, available at: [https://www.potomaceconomics.com/wp-content/uploads/2019/08/2018-SOM-Appendix\\_Final.pdf](https://www.potomaceconomics.com/wp-content/uploads/2019/08/2018-SOM-Appendix_Final.pdf); 2018 State of the Market Report for PJM (March 2019), Section 5, Table 5-4, available at: [http://www.monitoringanalytics.com/reports/PJM\\_State\\_of\\_the\\_Market/2018/2018-som-pjm-sec5.pdf](http://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2018/2018-som-pjm-sec5.pdf).

#### 4. Financial Entity Profitability

Financial entities that do not own generation or serve load can participate in the RTO/ISO-operated markets through two types of mechanisms: (1) virtual transactions and (2) purchases of FTRs, congestion revenue rights and analogous instruments. No definitive analysis has been conducted of the benefits and risks from the participation of these entities. Metrics that, at a minimum, track the level of financial entity participation in the RTO/ISO-operated markets and provide data on the profits of these entities compared to those of physical entities, would be useful in assessing the scale of the participation of such entities, the extent of their earnings and the potential transfer of funds from LSEs and end-use customers to these entities.

APPA's recommended metrics for this category are:

- The relative shares of virtual trades by financial and physical entities, a metric which is currently reported for PJM, MISO and the CAISO.<sup>25</sup>
- The profits from virtual trades undertaken by financial and physical market participants, as is currently provided by the MISO and CAISO market monitors.<sup>26</sup>
- The share of profits from ownership of FTRs and similar instruments for physical and financial entities, as currently provided by the PJM and CAISO market monitors.<sup>27</sup>

High profits earned by financial entities relative to physical entities could raise questions about the competitiveness of the financial tools and the benefits from financial entity

---

<sup>25</sup> See 2018 State of the Market Report for PJM, Tables 3-48 and 3-49 (showing shares of virtual bids and Up-to-Congestion transactions according to financial and physical parent company); 2018 State of the Market Report for the MISO Electricity Market, Analytic Appendix, Figures A-34, 35, 36 and 37; CAISO 2018 Annual Report on Market Issues and Performance, Table 5.1.

<sup>26</sup> 2018 State of the Market Report for the MISO Electricity Market, Analytic Appendix, Figure A41; 2018 CAISO Annual Report on Market Issues and Performance, Table 5.1.

<sup>27</sup> 2018 State of the Market Report for PJM, Section 13, Tables 13-23 and 13-24; CAISO 2018 Annual Report on Market Issues and Performance at 203.

participation. For example, Monitoring Analytics observes that: “It is not clear, in a competitive market, why FTR purchases by financial entities remain persistently profitable. In a competitive market, it would be expected that profits would be competed to zero.”<sup>28</sup> An additional data point that would be useful for all RTOs/ISOs is the portion of virtual trades that enhance efficiency, a metric reported by Potomac Economics, MISO’s market monitor. In 2018, Potomac Economics “determined that 58 percent of all cleared virtual transactions in MISO were efficiency-enhancing. We identified efficiency-enhancing virtual transactions as those that were profitable based on congestion modeled in the day-ahead and real-time markets and the marginal energy component (system-wide energy price).”<sup>29</sup> The Commission should include this metric in its information collection.

#### 5. RTO/ISO Governance

Finally, APPA recommends a metric relating to RTO/ISO governance that would embody whether the RTO/ISO stakeholders have a sufficient opportunity to provide input on RTO/ISO decisions and whether the RTOs/ISOs are responsive to such input. In the 2016 Metrics Report, Commission Staff stated that “these metrics do not capture some of the potential benefits that are difficult to isolate and measure, e.g., benefits created by providing opportunities for input by a broad range of stakeholders.”<sup>30</sup> While opportunity for stakeholder input is certainly a good thing, it cannot simply be assumed that the benefits of stakeholder participation are evenly distributed, or that RTOs/ISOs are equally responsive to all stakeholder concerns. For example, a recently released study of RTO/ISO governance by R Street Institute documented the

---

<sup>28</sup> 2018 State of the Market Report for PJM, Section 13, at 642.

<sup>29</sup> 2018 State of the Market Report for the MISO Electricity Markets, Potomac Economics (June 2019) at 27, available at: [https://www.potomaceconomics.com/wp-content/uploads/2019/06/2018-MISO-SOM\\_Report\\_Final2.pdf](https://www.potomaceconomics.com/wp-content/uploads/2019/06/2018-MISO-SOM_Report_Final2.pdf).

<sup>30</sup> 2016 Metrics Report at 9.

concerns of consumer representatives, including a perception that at least some of the RTOs/ISOs are not looking out for the interests of consumers or paying sufficient attention to the price of electricity.<sup>31</sup>

While APPA does not disagree that many aspects of governance may be difficult to isolate and measure, APPA recommends that the Commission collect data on at least one key governance metric – the number of proposals and percentage of total proposals for market rule changes that were submitted to the Commission each year that received a vote opposing the proposal by one or more stakeholder committees.

#### **E. Comments on Metrics Proposed to be Eliminated**

APPA generally does not object to the elimination of the metrics on reliability, RTO/ISO billing controls, interconnection and transmission processes, and system lambda that had been collected previously. In light of the governance and stakeholder participation concerns noted above, however, APPA recommends that the Commission retain the RTO/ISO metric on customer satisfaction, with such data broken down by sector.

### **III. CONCLUSION**

As the RTO/ISO-operated markets face myriad complex changes and challenges, a set of comprehensive and consistently reported metrics on these markets would be of significant value both to stakeholders and the Commission as it continues to evaluate proposals on changes to the RTO/ISO markets. Moreover, such metrics are needed to inform the ongoing debate about the optimal means to procure capacity and grid services. APPA therefore urges the Commission to

---

<sup>31</sup> Problems in Electricity Market Governance, by Travis Kavulla, R Street Policy Study No. 180 (August 2019), available at: <https://www.rstreet.org/2019/08/30/problems-in-electricity-market-governance-an-assessment/>.

take this opportunity to reinstate and improve the collection of data on the RTO/ISO-operated markets.

Respectfully submitted,

**AMERICAN PUBLIC POWER ASSOCIATION**

/s/ John E. McCaffrey

John E. McCaffrey

Regulatory Counsel

Elise Caplan

Director, Electric Markets Analysis

2451 Crystal Drive

Suite 1000

Arlington, VA 22202

(202) 467-2900

[jmccaffrey@publicpower.org](mailto:jmccaffrey@publicpower.org)

[ecaplan@publicpower.org](mailto:ecaplan@publicpower.org)