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GAO Report Urges FERC to Be More Specific on Costs, Benefits of RTO Membership

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The [Government Accountability Office](#) (GAO) issued a [report](#) to Congress on September 26 urging [FERC](#) to take additional steps to analyze the benefits and performance of the [Regional Transmission Organizations](#) (RTOs) that manage regional transmission grids. FERC's development of RTOs has been controversial from the beginning, with many arguing that they ultimately increase electricity prices. Highlighting this debate, the GAO stated: "Many agree that RTOs have improved the management of the transmission grid and improved generator access to it; however, there is no consensus about whether RTO markets provide benefits to consumers or how they have influenced consumer electricity prices. . . ." The GAO specifically criticized FERC's failure to develop standardized measures to track RTO grid operator performance, finding that this failure bred uncertainty about the benefits of RTO membership and led to missed opportunities for FERC to direct improvements in RTOs' operations and markets.

In its analysis, the GAO discussed several areas in which it found FERC's oversight of RTOs to be lacking and offered recommendations. Specifically, the GAO concluded that FERC does not adequately review RTO financial reports and budgets. To remedy this, the GAO urged FERC to develop a consistent approach for reviewing RTO budgets, including routine assessments of the accuracy, completeness, and reasonableness of the financial reports that RTOs submit to FERC.

The GAO also determined that FERC has failed to undertake a comprehensive review of broader RTO performance and benefits, and that this failure resulted in missed opportunities for developing new market rules and improvements in RTO operations. The GAO suggested FERC work with RTOs, stakeholders, and other interested parties to develop measures to track grid operations and markets. FERC should also submit an annual report to Congress describing its review and identifying any changes that should be made to address performance concerns.

In response to the report, FERC Chairman Joseph Kelliher generally agreed with many of the GAO's recommendation, in particular, that FERC should increase its review of RTO performance and costs. Chairman Kelliher noted that FERC Staff is evaluating possible approaches for implementing the GAO's recommendations and that FERC plans to perform periodic audits of financial information in RTOs' financial reporting forms (FERC Form No. 1). Chairman Kelliher did push back on the GAO's assessment that RTOs stand in a "position of greater public trust" than other public utilities, stating there is no policy reason to view RTOs differently than public utilities.