

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

**Collection of Connected Entity Data from  
Regional Transmission Organizations  
and Independent System Operators**

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**Docket No. RM15-23-000**

**COMMENTS OF THE ISO/RTO COUNCIL**

The ISO/RTO Council (“IRC”)<sup>1</sup> respectfully submits these comments in response to the September 17, 2015, Notice of Proposed Rulemaking (“NOPR”) issued by the Commission commencing a rulemaking proposing to amend Commission regulations to require each Regional Transmission Organization (“RTO”) and Independent System Operator (“ISO”) to deliver to the Commission, on an ongoing basis, data required from its respective market participants that would identify them by means of a common alpha-numeric identifier, list their “Connected Entities,” and describe in brief the nature of the relationship of each Connected Entity.<sup>2</sup>

The IRC is not taking a position on the need for this information by the Commission. However, the IRC offers the following comments and requests certain clarifications that should be addressed in the Final Rule to clearly define the implementation of the rule as well as the role of the ISO/RTO in collecting and transmitting Connected Entity data to the Commission.

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<sup>1</sup> The IRC is comprised of the Alberta Electric System Operator (“AESO”), the California Independent System Operator Corporation (“CAISO”), the Electric Reliability Council of Texas, Inc., (“ERCOT”) the Independent Electricity System Operator (“IESO”), ISO New England, Inc., (“ISO-NE”), the Midcontinent Independent System Operator, Inc. (“MISO”), the New York Independent System Operator, Inc. (“NYISO”), PJM Interconnection, L.L.C., (“PJM”) and the Southwest Power Pool (“SPP”). ERCOT, AESO and IESO are not FERCjurisdictional and are not joining these comments.

<sup>2</sup> *Collection of Connected Entity Data from Regional Transmission Organizations and Independent System Operators*, 152 FERC ¶ 61,219 (September 17, 2015).

## **I. COMMENTS**

### **a. The ISO/RTOs Should Not be Required to Include in their Tariffs the Authority to Audit Market Participant Data**

The Commission has proposed that the ISO/RTOs include in their respective tariffs the authority, but not the obligation, to audit market participants to determine if their submitted Connected Entity data is accurate. As clarified by staff during the Technical Conference held on December 8, the “RTOs/ISOs would not be responsible for verifying the accuracy of the information submitted, but are not prohibited from doing so at their discretion.”<sup>3</sup> However, including the language proposed by the Commission in the ISO/RTO tariffs is not necessary. If an individual ISO/RTO deems it necessary to review the Connected Entity data, it may do so under its current tariff authority. Although some ISO/RTOs may choose to review the Connected Entity data, or a subset thereof, auditing the large amount of data that will be received under the much broader “Connected Entity” definition may not be an appropriate task for every ISO/RTO.

To the extent the Commission seeks to have the ISOs and RTOs merely serve as a conduit for this information, the ISOs and RTOs would serve purely an administrative function and would have no basis upon which to conduct such an audit. Creating the basis of necessary expertise to conduct such audits may require certain ISO/RTOs to incur significant additional costs to develop the necessary expertise. As it currently stands, certain IRC members may not be adequately staffed to perform this function, nor would it be within their jurisdictional responsibility to audit the relationships that establish a Connected Entity designation. The burden of ensuring the accuracy and completeness of the information both as a legal and practical matter

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<sup>3</sup> Staff Presentation at the Technical Conference on Connected Entity Data from the RTOs and ISOs, FERC Accession, No. 20151210-4005 (December 10, 2015) (“Staff Presentation”), Slide 9.

should be borne by the entities providing the information. Moreover, the burden of auditing and validating that information should be borne by the entity that has required the information to be submitted, *i.e.*, the Commission. Accordingly the ISO/RTOs request that the Commission remove the proposal to place the ISOs/RTOs in an audit role.

**b. The Commission Should Clarify that the ISO/RTOs will not be Held Responsible for the Accuracy of the Data Submitted by Market**

As discussed above, FERC staff stated during the technical conference that “[t]he RTOs/ISOs would not be responsible for verifying the accuracy of the information submitted.”<sup>4</sup> The IRC members seek further clarification from the Commission confirming that the ISO/RTOs are not responsible for the accuracy of the data submitted by market participants and are not liable for any aspect of such submission. Regardless of how the Commission decides the audit issue raised in subsection a. above, the IRC requests that the Commission separately clarify that the responsibility for all aspects of the information, including its accuracy, lies with market participants and not the ISO/RTO that transmit it.

**c. The Commission Should Clarify that ISO/RTOs will not be Required to Utilize LEIs in all Applications and Databases**

With respect to the Legal Entity Identifier (“LEI”), although the IRC agrees that the establishment of a standard identification system will greatly benefit the Commission’s ability to conduct investigations of trading patterns, the Commission should clarify that it intends to require ISO/RTOs to include LEIs only in connection with the Connected Entity data submitted to the Commission. At the December 8 technical conference, a speaker suggested that all current ISO/RTO identifiers should be replaced with LEIs. While an ISO/RTO may choose to do this, this replacement should not be mandatory because replacing current ISO/RTO identifiers could

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<sup>4</sup> Staff Presentation at Slide 9.

require substantial IT and business efforts on behalf of the affected ISO/RTOs. In addition, if LEIs are required to be attached to market transactions, significant system changes for ISO/RTO market software would be needed to account for a LEI “marker” for each transaction. Such a requirement would also raise further questions about whether standardization of market systems across ISO/RTO markets may be required to track inter-market transactions consistent with the Commission’s proposed rules. Accordingly, the Commission should confirm that current ISO/RTO identifiers do not need to be replaced with LEIs in the context of ISO/RTO applications and databases.

**d. The Commission Should Limit Application of the Term “Connected Entity” for the Purposes of Data Collection Contemplated in the NOPR so as to Ensure that it does not Negatively Impact ISO/RTO Governance, Code of Conduct and/or Credit Rules**

The Commission should also consider the relationship of the “Connected Entity” term and its impacts on ISO/RTO rules unrelated to market transactions. In particular, the current definitions of “affiliate” in the various ISO/RTO tariffs guide the ISO/RTOs in several aspects unrelated to market transactions, including governance rules relating to voting and stakeholder participation, instructing the code of conduct of rules relating to prohibited investments, and calculation of credit limits for affiliated entities. Wholesale replacement of the term “affiliate” with the more broadly defined “Connected Entity” in respective ISO/RTO tariffs would create broad impacts that the Commission did not intend when proposing the new rules. The IRC does not read the present Proposed Rule as requiring a whole-scale change in our tariffs to change governance and related use of the term “affiliate” and staff comments during the December 8 technical conference seem to confirm this reading of the Commission’s order, but clarification is important

Additionally, when evaluating the individual compliance filings to be submitted by the various ISO/RTOs, the IRC suggests that the Commission give significant deference to the ISO/RTOs' existing definitions and uses of the term "affiliate" so as to recognize that the Proposed Rule will not affect how the ISO/RTOs treat the affiliate relationships between entities for purposes beyond the information gathering intended by the Proposed Rule.

## II. CONCLUSION

The IRC respectfully requests that the Commission consider these Comments in this proceeding and grant the clarifications discussed herein.

Respectfully submitted,

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