

ELCON *PRESS RELEASE*

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ISOs and RTOs MUST BEAR RESPONSIBILITY FOR RELIABILITY VIOLATIONS

“This issue is quite simple,” said John Anderson, president of the Electricity Consumers Resource Council (ELCON). “If an ISO or RTO violates a NERC reliability standard, that ISO or RTO or its culpable employees should be held responsible. And any penalties imposed should not be passed through to consumers.”

Anderson elaborated on those views while testifying today at FERC as part of a Technical Conference addressing the question of Reliability Standard Compliance and Enforcement in Regions with Independent System Operators and Regional Transmission Organizations. The Conference was called at least in part as a response to a proposal by MISO on how penalties should be assessed which FERC rejected.

In his testimony, Anderson noted that “ISOs and RTOs are non-profit organizations that will make every effort to pass through all costs to their market participants. Moreover, ISOs and RTOs are unusual in that not only are they non-profit, but unlike most other non-profit entities they have very few assets and a captive revenue base”

Anderson emphasized that it is important that culpable parties be held responsible and that they be subject to monetary or non-monetary penalties. If costs are passed through to end users, asserted Anderson, “the end users, rather than culpable parties, become the victims of the violation.”

Non-monetary penalties that Anderson mentioned include increased auditing, mandatory training, decertification of certain individuals and, ultimately, the decertification of the ISO or RTO. Regarding monetary penalties, Anderson stated that such “a step should not be taken lightly” and that “culpability should be clear.”

“But,” he said, “to exclude the possibility of monetary penalties against individuals would insulate guilty parties from an appropriate punishment. Those individuals who have violated reliability standards – and in so doing have put a portion of the grid at risk – must also pay an appropriate penalty.”

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ELCON, established in 1976, is the national association of large industrial users of electricity from virtually every manufacturing sector. ELCON members seek a reliable supply of electricity at competitive prices and have long supported federal and state efforts to achieve that objective.

More information about ELCON, including a copy of Anderson’s statement, is available at ELCON’s website, www.elcon.org.