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Highlights

Highlights of [GAO-08-987](#), a report to the Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

In 1999, as a part of federal efforts to restructure the electricity industry, the Federal Energy Regulatory Commission (FERC) began encouraging the voluntary formation of Regional Transmission Organizations (RTO)—independent entities to manage regional networks of electric transmission lines. FERC oversees six RTOs that cover part or all of 35 states and D.C. and serve over half of U.S. electricity demand. As electricity prices increase, stakeholders—organizations and individuals with financial and regulatory interest in the electricity industry—have voiced concerns about RTO benefits and how RTO expenses and decisions influence electricity prices.

GAO was asked to review (1) RTO expenses and key investments in property, plant, and equipment from 2002 to 2006, the most current data available; (2) how RTOs and FERC review RTO expenses and decisions that may affect electricity prices; and (3) the extent to which there is consensus about RTO benefits. To do so, GAO reviewed documentation and data and spoke with FERC officials and experts.

What GAO Recommends

GAO recommends that FERC develop an approach for regularly reviewing RTO budgets and annual financial reports, and develop and report on standardized measures that track RTOs' performance. FERC generally agreed with our report and recommendations.

To view the full product, including the scope and methodology, click on [GAO-08-987](#). For more information, contact Mark Gaffigan, (202) 512-3841, gaffiganm@gao.gov.

ELECTRICITY RESTRUCTURING

FERC Could Take Additional Steps to Analyze Regional Transmission Organizations' Benefits and Performance

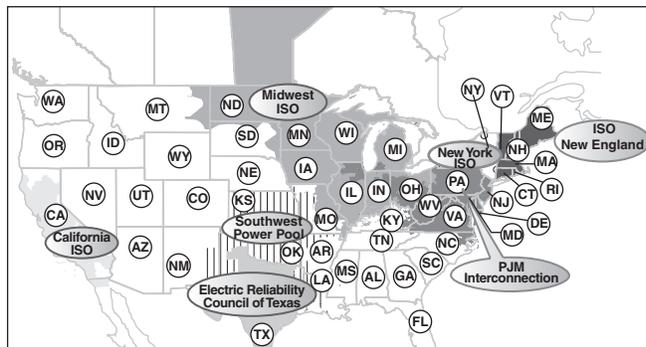
What GAO Found

RTO expenses and investments in property, plant, and equipment vary, depending on the size of the RTO and its functions. Expenses for the six RTOs FERC oversees totaled \$4.8 billion from 2002 to 2006, and property, plant, and equipment investments totaled \$1.6 billion as of December 2006.

RTOs and FERC rely on stakeholder participation to identify and resolve concerns about RTO expenses and decisions that affect electricity prices, such as decisions about reliability and whether to develop markets for electricity and other services. The stakeholders GAO spoke with in two RTO regions value the opportunity for input but have concerns about the resources and information required to participate. Moreover, although regular review of RTO budgets could help FERC with its responsibility to ensure RTO rates remain just and reasonable or determine if a new rate proceeding is needed, FERC's review of RTO budgets varies. Furthermore, while FERC requires RTOs to report actual expenses annually, it does not regularly review this information for accuracy or reasonableness and is at risk of using and providing to the public inaccurate and incomplete information.

FERC officials, industry participants, and experts lack consensus on whether RTOs have brought benefits to their regions. 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. FERC officials believe RTOs have resulted in benefits; however, FERC has not conducted an empirical analysis of RTO performance or developed a comprehensive set of publicly available, standardized measures to evaluate such performance. Without such measures, FERC will remain unable to demonstrate the extent to which RTOs provide consumers and others with benefits—information that could aid FERC in its evaluation of its decision to encourage the creation of RTOs and help address divisions about which benefits RTOs have provided.

U.S. Regional Transmission Organizations



Sources: FERC (data); map (Platts POWERmap, December 2007).

Note: FERC regulates California ISO, ISO New England, Midwest ISO, New York ISO, PJM, and Southwest Power Pool but does not regulate the Electric Reliability Council of Texas.