

FIRST ANNUAL REGULATORY CONFERENCE

For the Global Regulatory Network

Country Update-United States

Stan Wise
Commissioner
Georgia Public Service
Commission

Windhoek, Namibia

16 – 17 June 2003

U.S. Federal Energy Legislation

- The Main obstacle to the passage of comprehensive energy policy legislation by the US Congress has been the issue of how the electric industry will function.
- Debate between Federal versus State authority (jurisdiction):
 - ✓ Transmission siting and the need for greater cross-border coordination.
 - ✓ Reliability-standards, compliance, and enforcement.
 - ✓ Corporate Structure (repeal of the Public Utility Holding Company Act-PUHCA).
 - ✓ Retail Services-net metering, real-time pricing, and time of use metering.

Key Events and Activities in 2002 through March 2003

- On July 31, 2002, FERC announced a Notice of Proposed Rulemaking (NOPR) to standardize electricity transmission service across the entire United States.
- According to FERC the inconsistent market rules across the US “are raising the costs of electricity for customers, are hampering investment in infrastructure, are allowing discrimination by transmission owners and allowing market manipulation.”
- Standard Market Design proposes to remedy the alleged problems by applying the same set of rules for all users of the grid administered by a fair and independent entity.

Major Elements of the SMD and NOPR:

- Independent Transmission Provider
- Flexible Transmission service with tradable

Congestion Revenue Rights

- Transmission Pricing Reforms
- Open and Transparent energy spot markets; Day

ahead and real-time markets for energy and ancillary services

- Congestion Management through Locational

Marginal Pricing (LMP)

- Market Monitoring
- Regional Planning Process along with a resource

adequacy requirement

- Creation of Regional State Committees to address

planning, siting and other issues

Major Elements of the SMD and NOPR (cont.):

In the NOPR, FERC asserts jurisdiction over bundled retail transmission service and other aspects that have traditionally been left to the States. Based on this assertion and on disagreements about the underlying premises of FERC's proposal, many States, companies and interested stakeholders especially in the Southeast and the West have objected to a "one size fits all" rule for transmission.

Because of these responses, FERC has significantly modified its original implementation schedule. Additionally, in speeches across the country, FERC's Chairman has noted that FERC might be amenable to regional flexibility in such areas as transmission planning institutions, resource adequacy approaches, implementation, mitigation rules, and specific market protocols.

The Status of the Introduction of Competition

The following States **are** active in the restructuring process, **either having enacted enabling legislation or issuing a regulatory order to implement retail access**: Arizona, Connecticut, Delaware, District of Columbia, Illinois, Maine, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, Ohio, Oregon, Pennsylvania, Rhode Island, Texas and Virginia. Retail access in these States is either currently available to all or some customers or will soon be available.

The Status of the Introduction of Competition (cont.)

The following States **are not** actively pursuing restructuring: Alabama, Alaska, Colorado, Florida, Georgia, Hawaii, Idaho, Indiana, Iowa, Kansas, Kentucky, Louisiana, Minnesota, Mississippi, Missouri, Nebraska, North Carolina, North Dakota, South Carolina, South Dakota, Tennessee, Utah, Vermont, Washington, West Virginia, Wisconsin, and Wyoming. In West Virginia, the Governor and the Legislature have not yet approved the Public Service Commission's regulatory order.

The following States **have delayed** the restructuring process: Arkansas, Montana, Nevada, New Mexico, and Oklahoma.

California has suspended direct retail access.

Thank you for your attention

More information is available at:

[http://www.eia.doe.gov/cneaf/electricity/chg_str/reg
map.html](http://www.eia.doe.gov/cneaf/electricity/chg_str/reg_map.html)