
FEDERAL ENERGY REGULATORY COMMISSION

WASHINGTON, D.C. 20426



NEWS RELEASE

NEWS MEDIA CONTACT:

Barbara A. Connors
(202) 208-0680

FOR IMMEDIATE RELEASE

April 10, 2002
Docket No. RM01-12-000

OPTIONS OFFERED ON EMBEDDED COST RECOVERY, TRANSMISSION ISSUES

The Federal Energy Regulatory Commission is seeking public input on the best way in which to resolve certain transmission rate and transition issues as it moves forward in standardizing wholesale electric market design.

Today's staff paper is part of a series of initiatives the Commission has taken to focus the debate on reform of utilities' transmission tariffs and move to a standard wholesale market design.

Applying a standard market design on wholesale markets will enhance competition and broaden the benefits and cost savings to all electric power customers through lower transaction costs and wider trading opportunities. In addition, a standard market design will increase certainty about market rules and cost recovery for greater investor confidence and facilitate investment in the market infrastructure.

The options paper follows the March 15 release of a staff Working Paper on Standardized Market Transmission Service and Wholesale Electric Market Design. In that paper the Commission noted that with more non-traditional electricity suppliers and a greater reliance on wholesale bulk power markets, circumstances exist that lead to higher costs for all customers if consistent, non-discriminatory rules are not applied to all transmission customers. The Commission noted that at present, there is no single set of rules governing transmission of electric energy. This adds to transaction costs and congestion in the grid.

The Commission plans to issue a notice of proposed rulemaking on standard market design this summer.

(2)

The options paper addresses issues including embedded cost recovery and transition issues resulting from customers' transition to a single tariff for all services.

The Commission seeks comment on the following:

- the manner in which embedded costs of the transmission system will be recovered;
- the manner in which Transmission Rights will be allocated among customers; and,
- the transition of customers under existing contracts (real or implicit) to the new service.

Also discussed in today's paper is the need for adequate long-term generation. The paper offers several approaches for addressing this issue and asks for comment on the different options. Among them are:

- reliance on energy prices and information on projected supply and demand situation. This option would make load serving entities responsible for acquiring sufficient supplies to meet their needs.
- requiring a regional supply obligation. Each region would have a single region-wide supply obligation for all load serving entities in that region.
- requiring a regional capacity obligation.
- imposing a supply obligation on load serving entities only if projected reserves fall below a trigger level.
- setting capacity obligation for operating reserves. A regional transmission organization (RTO) would acquire an option on generation that could be used to provide reserve capacity at some future time.

Comments on the options paper should be filed with the Commission by May 1. Both the March 15 working paper and today's document, "Options for Resolving Rate and Transition Issues in Standardized Transmission Service and Wholesale Electric Market Design," may be found on the Commission's website at www.ferc.gov.