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#### Report on FERC's Camp RTO, Day 4

##### A. Thursday morning, 10/18: Meeting with State Commissioners

Many state commissioners are unhappy. One thing that has clearly infuriated several of them is the FERC-mandated "mediation" process, which is viewed as a high-handed attempt to impose large RTOs with little discussion or analysis.

Sam Ervin of North Carolina declared that all the regulatory commissioners in the southeast are irritated that FERC attempted to impose a massive southeast RTO with insufficient time or notice. He complained that FERC's "mediation" to establish the southeast RTO simply assumes that there would be a benefit to North Carolina's retail customers with no attempt to determine whether this would indeed be the case. According to Ervin, North Carolina has low electrical rates, vertically integrated utilities, and zero intention to restructure.

The most impassioned statement came from Commissioner Reilly of Maryland. (Maryland is the "M" in PJM. FERC behaves as if PJM is the poster child for RTOs.) What incensed Reilly is that she does not perceive PJM is doing well -- and she has no confidence that a northeast RTO that is quickly imposed without sufficient consideration will work, and that therefore all the benefits provided by PJM are at risk in the FERC "mediation" process leading to the uber-RTO. She said that what FERC is trying to accomplish is the "nationalization of electricity". She asserted FERC should be bound by the rule, "first do no harm". She also noted pointedly that the only thing the average person in Maryland associates with FERC is California, so FERC's stock is none too high with voters. A Delaware commissioner made similar comments, but with less fervor.

Carl Wood, California PUC, denounced FERC for abandoning California. He also talked about the unique situation of the west; said that RTOs should be voluntary; and read a letter from the WUTC opposing both a westwide RTO and uniform national rules for RTOs.

Numerous commissioners supported the importance of a cost-benefit analysis.

Several supported larger RTOs, particularly in the Midwest, and said that it was important to "get it done". Bill Nugent, Maine PUC, was quite supportive. He admitted that Maine is a high-cost state, and that larger markets would tend to equalize electrical prices. Commissioner Thomas from Pennsylvania (the "P" in PJM) talked about how well PJM is doing, and how Pennsylvania, under deregulation, has gone from electrical prices 15% over the US average to below the US average. But Thomas, along with other commissioners supporting large RTOs, did say that accommodation needed to be made for regional differences in RTO design.

Thomas (and one or two other state commissioners) referred to FERC's proposal to have four RTOs -- which implies a single westwide RTO. Reilly, for example, said she thinks that FERC intends to issue an order on November 15th mandating four RTOs. Wood corrected the commissioners and noted that he does not support a single westwide RTO.

Unlike earlier sessions, this one consisted chiefly of prepared statements. There was some discussion of whether more regional processes would help. FERC Commissioner Massey expressed his frustration that these discussions have been going on for seven years, and he was happy to have another process, but that the process needed a defined endpoint.

##### B. Thursday afternoon: Standardizing Markets, Business, and Other Practices

This afternoon session was a bit odd. The panel was consisted largely of people with the background of working on reliability and business practice standards (rather than working on the more fundamental RTO market issues such as pricing and congestion clearing).

For fans of bureaucratic intercorporeal warfare, both NERC (the North American Electric Reliability Council) and GISB (the Gas Industry Standards Board) are furiously trying to become the Official Promulgator Of Electric Reliability and Business Practice Standards (GISB is apparently feeling rather imperial where standards are concerned).

Panelists believed that Standards Are Good, and therefore standards should be set. One panelist suggested that FERC just mandate how to do pricing, congestion management, etc., and leave the RTOs with the job of implementing FERC mandates. It was noted that if there are a few big RTOs (panelists kept announcing that the self-evident endstate is 4-5 RTOs -- Northeast, Southeast, Midwest, Westwide and ERCOT), then seams issues and other instances of non-standardization become less important than if there are 15 RTOs.