

# REMEDYING UNDUE DISCRIMINATION THROUGH OPEN ACCESS TRANSMISSION SERVICE AND STANDARD ELECTRICITY MARKET DESIGN

Derek Bandera, Jim Campbell, Alice Fernandez,  
Jignasa Gadani, Mark Hegerle, Udi Helman, Kevin  
Kelly, Don LeKang, Connie Lausten, David Mead,  
Ed Murrell, Kathleen Nieman, Richard O'Neill,  
Deborah Ott, Elizabeth Rylander, Roland  
Wentworth, David Withnell, Andrea Wolfman

# MAKING MARKETS WORK FOR CUSTOMERS

- Sufficient Infrastructure
- Balanced market rules
- Protect customers through vigilant oversight

# NEED FOR SMD

## ● Inconsistent rules across the US

- Raise costs for customers
- Hamper investment in infrastructure
- Allow discrimination by transmission owners
- Allow market manipulation

# GOALS OF SMD

- **Reduce wholesale electric prices**
  - Make markets work, not protect competitors
- **Incent investment in infrastructure**
  - Transmission, generation, and demand response
- **Incent development of technology**
  - Demand response and efficiency gains
- **Protect the environment**
  - Encourage demand response and use of more efficient generation

# SMD BUILDS ON OUTREACH

- RTO Week October 2001
- Conferences in January, February, and July
- Comments on Working Paper and Options Paper
- Meetings with major industry segments
- Additional opportunities through NOPR

# SMD PRINCIPLES

- **Same set of rules for all users of the grid**
  - Open access and flexible transmission service
  - Administered by fair and independent entity
- **Market rules protect against market manipulation**
  - Addresses Enron trading strategies
- **Customer protection through market power mitigation measures and oversight**
- **Clear transmission pricing and planning policies for grid expansion**

# RESPECT EXISTING CONTRACTUAL RIGHTS

- Foundation is bilateral contracts
- Translate existing contracts and bundled retail rights into financial rights
- Supplement bilateral market with spot markets for energy and ancillary services

# PROTECT RELIABILITY

- Resource adequacy requirement for load
- Security constrained dispatch for day-to-day operations
- Encourages development of new infrastructure

# COORDINATION WITH STATES

## ● **Regional State Advisory Committees**

- Resource adequacy, transmission planning, rate design and revenue requirements, market power mitigation and market monitoring, demand response and load management, distributed generation and interconnection policies, energy efficiency and environmental issues, and RTO management and budget review

## ● **Multi-State Entities for planning, certification, and siting at a regional level**

- Complements recommendation of National Governors Association

# MAJOR ELEMENTS OF SMD

## ● Independent Transmission Provider

- Operates transmission facilities and administers tariff
- Governance

## ● Network Access Service

- Flexible transmission service with tradable CRRs

## ● Open and transparent energy spot markets

- Day-ahead and real-time markets

## ● Congestion management through LMP

# MAJOR ELEMENTS OF SMD

## ● **Market mitigation and monitoring**

- Focus—local market power and lack of price responsive demand
- Monitoring of markets and rules of conduct

## ● **Resource adequacy requirement**

- Forward-looking requirement developed on a regional basis
- Encourages long-term contracts for supply
- Encourages development of price responsive demand

# CONCLUSION

- Restructuring not deregulation
- Markets that work benefit customers
  - Experience with Order No. 636 and gas markets show the benefits to customers and infrastructure development
- Goal of SMD is to make wholesale electric markets work for customers and develop infrastructure