NGC Corporation
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Three Forces Are Pursuing a Competitive Wholesale Market in Very Different Ways

- FERC: the *pro forma* tariffs and OASIS
  - Orders 888 & 889
- Transmission Providers: NERC & Regional Reliability Councils, ISOs and Power Pools, How Work Group, CPWG
- New Competitors: CPWG, ISOs, CCEM, PTC, CAPT
FERC Initiatives Are Lagging Behind the Needs of the Competitive Market

- Orders 888 & 889 fall short of necessary reforms to create the “level playing field”
  - utility merchant function advantages continue
  - transmission service under different tariffs promotes lack of comparability
  - customers should convert from sales to transmission service
    ★ would establish transmission capacity rights
    ★ would help clarify any stranded investments
    ★ would ease transition to retail access

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Transmission Providers Won’t Follow if They Can Lead

- Heavy participation or dominance by providers
  - NERC & Regional Reliability Councils
  - ISOs
  - Power Pools
  - How Work Group
  - CPWG

- Ultimately responsible for reliability
  - Established “tagging”
  - Established Security Coordinators

- Implementing fastest rather than optimal solutions
New Competitors are Guinea Pigs in the Experiments to Cure Monopoly Power

- ISOs are unproven in their ability to mitigate market power, but they are a quick and less painful alternative for utilities desiring to retain generation assets

- NERC’s Security Coordinators perform many of the operational functions of an ISO, but they do not embrace the other attributes necessary to have credibility as part of the competitive market infrastructure.

- OASIS is a game of who can look the busiest while accomplishing the least

- New groups are sorting out their roles
  - EPSA, CPWG, PTC, etc.
NERC Security Coordinator Procedures vs. FERC ISO Principles

**SC** Perform security analysis. Each NERC SECURITY COORDINATOR shall execute next day security analysis, including load flow studies, to ensure the bulk power system can be operated in a manner to support anticipated normal and contingency conditions.

**ISO** An ISO should identify constraints on the system and be able to take operational actions to relieve those constraints within the trading rules established by the governing body. These rules should promote efficient trading.
NERC Security Coordinator Procedures
vs. FERC ISO Principles

**SC** Studies shall be conducted to highlight potential interface and other operating limits including overloaded transmission lines and transformers, voltage and stability limits, etc.

**ISO** An ISO should have the primary responsibility in ensuring short-term reliability of grid operations. Its role in this responsibility should be well-defined and comply with applicable standards set by NERC and the regional reliability council. An ISO should have control over the operation of interconnected transmission facilities within its region.
NERC Security Coordinator Procedures vs. FERC ISO Principles

SEC The SECURITY COORDINATORS shall share the results of their system studies within their Interconnection no later than 1500 Central Time for the Eastern and Quebec Interconnections, and 1500 Pacific Time for the Western Interconnection.

ISO An ISO should make transmission system information publicly available on a timely basis via an electronic information network consistent with the Commission's requirements.
Tagging Creates Potential Concerns

A valid concept with poor implementation

- The transmission operator competes with marketers for same supplies
  - can offer a higher price
  - can threaten a curtailment of the supply
  - can curtail our transmission service

- Proprietary information is revealed to other competing buyers and sellers of energy
  - power marketers
  - generators
  - load
Transmission Loading Relief (TLR) is the Greater Problem

TLR inconsistent with *pro forma* tariff
- curtailment priorities
- redispatch obligation

- Firm becomes non-firm
- no redispatch obligation

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There is turbulence when paths cross, but we’re trying to get to the same place!
How do we smooth-out the flight? First, someone’s got to be in the cockpit!

- What is the role for FERC, DOE, Congress, NEB, CRE and the regulatory agencies in the states?
  - Congress needs to authorize and fund the FERC’s role in oversight of reliability of the transmission system
- Can more industry workgroups or task forces produce better results?
  - NERC Reliability Panel, CPWG, PTC
It’s Time for Some Checks and Balances

- The industry must be able to decide and communicate its vision for a competitive electric market!