A Roadmap to FERC’s Standard Market Design NOPR

Alice Fernandez
Federal Energy Regulatory Commission
Northeast Power Coordinating Council
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FERC Policy Objectives

- Sufficient infrastructure
- Balanced market rules
- Protect customers through vigilant oversight
Two Tracks for Achieving these Objectives

- Standard market design rulemaking
- RTO formation
Why Is SMD Needed?

- Increasingly Regional Nature of Electricity Trade
- Residual Discrimination – Independence Issue
- Minimize “Seams”
- Avoid Market Manipulation
- Promote Investment in Necessary Infrastructure
  - gx vs. tx demand response
  - encourage development of new technology
- Lower Costs to Customers
- Framework for Effective State & Federal Regulation
Major Elements of SMD NOPR

- Independent Transmission Provider
- New Transmission Tariff
- Transmission Pricing Reform
- Organized Day-ahead & Real-time Spot Markets
- Mitigation of Market Power/Market Monitoring
- Resource Adequacy
- Regional Planning Process
SMD and the Northeast

- Many elements should look very familiar
  - Day-ahead and real-time markets
  - Market power monitoring and mitigation

- Some elements are different
  - Transmission pricing
  - Resource adequacy

- Addresses “seams” issues
  - Tariff and NAESB
RTO Formation

- RTOs are voluntary, SMD is not
- RTO preferred way of achieving independence
  - Advantages to larger markets
- SMD addresses controversial issues in RTO proceedings
  - Governance
  - Definition of transmission
  - Umbrella RTO responsibilities and ITC responsibilities
How these Efforts Work Together

- Standard market design
  - Balanced non-discriminatory market rules
  - Pricing and governance issues

- RTO proceedings
  - Scope and configuration
  - Regional variations under SMD
Reaction to SMD NOPR

- Comments - November 15 and December 20
- Meetings with state commissions and industry groups
- Technical conferences
  - Market monitoring October 2
  - Software development October 3
  - Liability and indemnification December 11
  - RTO Week 2 (early 2003)
Conclusion

- SMD NOPR is a proposal
  - Need for further discussion
  - Details to make the proposal work

- Regional flexibility
  - Differences due to resource mix
  - Issues related to retail access