



Regulatory Update

September 10, 1999

Announcements

1. A copy of the Brochure and Registration Form for NEMA's Annual Membership Conference and Golf Tournament is attached with this update. Please reserve your room and tee time early as both are limited.
2. NEMA will hold its spring Conference, Membership Meeting and Industry Trade Show in Washington DC on April 17 and 18, 2000. Please reserve these dates on your calendar as this should be an outstanding event.
3. A Draft of NEMA's "*National Operational Standards to Implement Retail Competition*" will be circulated next week.
4. Drafts of NEMA's positions on POLR and Low income Issues will be circulated for approval prior to the next Executive Committee meeting

Federal

- **Electricity Restructuring Deadline for the House Subcommittee on Energy and Power unlikely to be met.** A number of lawmakers seem to doubt that a comprehensive deregulation bill can be approved this year, or even next session. A spokesman for the Senate Energy and Natural Resources Committee noted that they have no plans to mark up a bill and no more hearings have been scheduled on this issue for the 1999 session.
- **Federal Trade Commission Workshop on Retail Electric Competition September 13-14, 1999 moved to Georgetown University Law Center.** Due to an unexpectedly large showing of public interest in "Market Power and Consumer Protection Issues Involved with Encouraging Competition in the U.S. Electric Industry" workshop, the location has been moved to the Moot Court Auditorium on F Street to accommodate additional participants. The intent of the workshop is to provide all of the answers to a complex set of issues that vary by region and locale. The workshop begins 9 a.m. each morning with registration open at 8:15 a.m.

New York

- **NYISO – Additional Documents Available – September 7, 1999.** Three more documents have been posted on the NYISO site and are *also available over the NEMA site in word format*:
 - Rules, Procedures, and Guidelines for the 1999-2000 Winter Capability Period - Installed Capacity Auction Rules. (Draft #2 – September 3, 1999)
 - Binding Bid to Purchase Installed Capacity In the ICAP Auction.
 - Binding Offer to Sell Installed Capacity In the ICAP Auction.

California

- **Understanding Competitive Pricing and Market Power in Wholesale Electricity Markets – Severin Borenstein – August 1999.** University of California Energy Institute series of working papers on the Program on Workable Energy Regulation (POWER). The paper attempts to clarify the meaning of market power and show how it can be distinguished from competitive pricing in markets with significant short-run supply constraints. He concludes by arguing that while a finding of market power in an industry does not necessarily indicate the government intervention is warranted, such analysis is an important part of creating sound public policy. *This .pdf document is available on the NEMA site.*
- **Pricing Electricity for Default Customers: Pass Through or Performance-Based Rates? – Carl Blumstein – August 1999.** University of California Energy Institute – POWER series. The paper identifies issues that should be addressed in choosing between straight pass through of wholesale purchase costs from the PX or performance based rates (PBR) for each UDC for the default customers who have not chosen a retail electricity service provider. The analysis suggests that in the near-term the choice will not have much effect on prices. The paper also suggests that regulatory costs associated with PBR are likely to be higher. *This .pdf document is available on the NEMA site.*

New Jersey

- **PSE&G Final Decision and Order - Unbundling, Stranded Costs and Restructuring Filings –August 24, 1999.** The rate discounts relative to current rates during the Transition Period shall be as follows:
 - **August 1, 1999** **5%**
 - **January 1, 2000** **7% (minimum)**
 - **August 1, 2001** **9% (minimum)**

Average overall shopping credits are:

1999	4.95
2000	5.03
2001	5.06
2002	5.10
2003	5.10

PSE&G will have the opportunity to recover up to \$2.94 billion in generation stranded costs. *This .pdf document is available on the NEMA site.*

Nevada

- **The PUC denied applications by Sierra Pacific Power and Nevada Power to sell competitive services through separate affiliates. – August 31, 1999.** The focus of the arguments was whether or not the sharing of staff between parent and affiliate would result in consumer savings. Commissioner Sheldrew noted that the line between regulated and competitive affiliates would be blurred and increase concerns about cross-subsidization and anti-competitive behavior in the applicants’ request to control potentially competitive affiliates at the holding company level. PUC chairman Soderberg dissented in the 2-1 vote and believed customers would be robbed of operational efficiencies. The decision was protested by both utilities.

MISC

- **State Representative Goodman plans to introduce legislation that would provide for Ohio utilities with stronger anti-takeover attempts by out-of-state companies. August 27, 1999.** He is concerned that the hostile takeover attempt by NiSource of Columbia could eliminate hundreds of Ohio jobs and weaken Columbia’s ability to serve central Ohio’s long-term energy needs. The bill would require the PUCO to investigate hostile takeovers, prevent the commission from recommending that a hostile takeover occur unless it offers the public convenient and adequate electricity at a reasonable cost, and requires the company initiating the hostile takeover to file an application with the PUCO.

