



Regulatory Update

September 17, 1999

Announcements

- 1. Representatives from NEMA, EEI and the Coalition for Uniform Business Rules (CUBR) met in Washington DC this week to discuss implementation of a Joint Industry Effort to Develop Uniform Industry Standards, Procedures and Formats (UBR). A memorandum of agreement is circulating among members of each group for approval.**
- 2. NEMA-AGA and EEI have initiated discussions about the development of a Joint Industry Uniform Code of Conduct (UCC). You will be kept advised of progress on this important effort.**
- 3. Rooms reserved for NEMA members and guests are starting to fill up at La Cantera for our meeting, conference and golf tournament on November 10 and 11, 1999. I have attached another registration form for your use and urge you to reserve your room early to avoid disappointment. The Executive Committee meeting will begin at 8AM on November 10 and the new member reception will begin at 5PM on November 10. The conference starts at 8 AM on November 11, 1999.**
- 4. The Joint NEMA-EEI effort to develop a Standard Wholesale Power contract will hold another meeting on September 24, 1999.**

FERC

- NY State Commission Files Intervention and Comments on NYISO Tariff recovery of \$52.6 million – Docket Nos. ER97-1523-000, OA97-470-000, and ER97-4234-000 – September 15, 1999.** Member systems requested \$52.6 million for start-up and formation of the NYISO and they informed the State Commission that it could take up to six months after NYISO operation before final start-up and formation costs were known. The NY Commission requests that the rates be conditionally approved now (subject to refund later) so that recovery can begin immediately. Otherwise, recovery would be delayed for up to two years and result in a timing mismatch for market participants. Conditionally approving the rates will allow the NY Commission to review the latest August 25 filing which shows amounts \$18 million higher than previously examined.

- **Commission Approves Rule Governing Off-The-Record Communications – Docket No. RM98-1-000 – September 15, 1999.** The Commission approves a final rule clarifying what kind of off-the-record communications may be conducted between representatives of the commission and members of the public at large. The new rule is designed to protect the integrity of FERC's decision-making process when it has pending contested on-the-record proceedings, according to FERC Chairman James Hoecker.
- **Commission Policy Statement on Incremental Pipeline Project Applications – Docket No. PL99-3 – September 15, 1999.** The Commission in a 4-1 vote, revealed a new preference for incremental pricing over rolled-in pricing. The new approach will favor proposals not requiring subsidies from existing customers. The Commission was unable to agree on a date for the policy statement to take effect however.
- **Illinova Gets Final ORDER Approval to Transfer Entire Fossil Generating Fleet to an Unregulated Affiliate – September 10, 1999.** Illinova said the approval clears the way for it to be the first energy company in the nation to achieve this key strategic restructuring. The final order gives Illinova authority to transfer 3,800 megawatts from Illinois Power Co. to the new subsidiary. The ICC approved the transfer on July 8, 1999. Illinova expects to have the new subsidiary in place during the fourth quarter of 1999.

NEMA – EEI

- **The Wholesale Electric Contract Standardization Group has provided a clean version copy and redlined version copy of the Master Power Purchase and Sale Agreement, as well as a proposed Model Tariff .** A cover memo describes the process followed by the Drafting Committee and a proposed plan of action for the meeting on September 24, 1999. *The 4 documents below are available on the NEMA site in word format:*
 - September 10, 1999 MEMO
 - Master Power Purchase and Sale Agreement – Clean Draft
 - Master Power Purchase and Sale Agreement – Redlined Version
 - Wholesale Rate Schedule Form

New York

- **NYISO – FERC Approves Latest Governing Plan – September 15, 1999.** FERC had asked for a revised governing structure plan after finding a previous plan allowed transmission-owning utilities too much control. The revised plan approved by FERC lowered the voting power of the member utilities.

- **NYISO – Additional Documents Available – September 14, 1999.** Two more documents have been posted on the NYISO site and are *also available over the NEMA site*:
 - Installed Capacity Market Winter '99 Capability Period (Version #9 word format – September 14, 1999). Supplemental Rules. This auction has been rescheduled to September 22, 1999 to allow time to review these new rules.
 - Installed Capacity Requirements Manual (in .pdf format – revised September 1, 1999).

California

- **Does Incentive Regulation Provide the Correct Incentives?: Stochastic Frontier Evidence from the US Electricity Industry – Christopher R. Knittel – September 1999.** University of California Energy Institute series of working papers on the Program on Workable Energy Regulation (POWER) paper (PWP-068). The use of incentive regulation has grown during the past two decades. The paper discusses the wide array of programs that have been utilized, and investigates the impact of individual programs on the technical efficiency of a large set of coal and natural gas generator units. *This .pdf document is available on the NEMA site.*

Virginia

- **Virginia Power and the SCC staff agree on size of the proposed pilot program- September 10, 1999.** The compromise increases the size of the pilot by three times what Virginia Power had first proposed and would include part of Northern Virginia as well as the Richmond area. The deal also changes the way the market price will be determined, which the staff complained would have been set too low under the previous proposed method. Virginia Power will increase the amount of electricity sales to competition from originally proposed 118 megawatts to 366 megawatts in two steps, with the last occurring January 1, 2001. The first phase alone is roughly 50% bigger than the first proposal with 35,580 residential, small-business and church customers allowed to participate, as well as 8 major C&I customers.
- **AEP Proposes 17,500 customers in Pilot Program to SCC – September 15, 1999.** The pilot is expected to begin sometime in March 2001, residential and C&I customers will be chosen through a volunteer and lottery process. AEP recommended that meter reading and billing services also be open to competition.

Maryland

- **Commission’s Inquiry into the provision and regulation of electric service – ORDER NO. 75608 – Case No. 8738 – September 10, 1999.** The Commission has accepted the “Final Report and Addendum” by The Supplier Authorization Working Group (SAWG) to qualify suppliers, and finds that utilizing its suggested procedures, application, and regulations will result in efficient and thorough compliance with the provisions of the Electric Customer Choice and Competition Act of 1999. *This order is not yet available electronically.*

New Jersey

- **Atlantic City Electric Company filing in the Matter for the establishment of Auction Standards for the Sale of Certain Non-Nuclear and Certain Nuclear Generating Units - Docket Nos. EM99080605 and EM99080606 - August 31, 1999.** The Company filed two sets of auction standards in this proceeding. The original petition sought Board approval for the conduct of sale of both its non-nuclear and nuclear generating assets.
- **Conectiv Power Delivery – Third Party Supplier Agreements and Restructuring Tariff for Electric Service–** *Available on the NEMA site is the Board Approved Third Party Supplier Agreement for NJ and also one for Delaware and the Atlantic Electric Tariff for Electric Service all in .pdf format.*

Michigan

- **Reply Brief of NEMA – Guidelines for transactions between affiliates – Case No. U-11916 – Filed September 13, 1999.** *The brief is also available on the NEMA site in .pdf format.*

