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***ON BEHALF OF***

***THE EDISON ELECTRIC INSTITUTE  
AND ITS ALLIANCE OF ENERGY SUPPLIERS***

***FEDERAL ENERGY REGULATORY COMMISSION'S  
LONG-TERM RESOURCE ADEQUACY CONFERENCE  
NOVEMBER 19, 2002***

## ***A Resource Adequacy Requirement (RAR) should be developed in accordance with the following principles.***

- *One size does not fit all, allowances for regional variations are necessary.*
- *States have had a traditional role in establishing resource requirements and need to be involved in the new process as well. FERC must work closely with the states.*
- *Appropriate mechanisms must be in place to ensure cost recovery of investment made to comply with resource adequacy requirements.*
- *The RAR and market mitigation measures are very interdependent, not independent, and need to be developed together.*
- *Needs to be a simple mechanism (as possible) and done on a regional basis (not national or state by state)*
- *It should be a market-based approach, incentives are highly preferred over penalties.*
- *Needs to be a longer-term forward obligation*
- *Hold all participants accountable in a fair / non-discriminatory manner -- no “free riders” or leaning on the system*
- *It is necessary to ensure that resources are “real” and deliverable.*

## *Areas where the RAR needs to be improved.*

- *Load curtailment will not work given state and deployment of existing technology.*
- *Price signals are preferred over penalties*
- *Penalty proposed has no relationship to a market scarcity based market clearing price.*
- *Imposing forward obligation without a market is a risky design for all.*
- *Does not provide adequate incentive for new generation or load response.*

## ***EEI's positions are still developing.***

- *EEI is actively seeking to reach consensus on issues*
- *EEI has reached consensus on the principles and goals but has yet to reach consensus on a specific proposal that all its members believe best accomplishes those goals.*