

Silicon Valley Manufacturing Group

FERC Standard Market Design Resource Adequacy Requirements Technical Conference November 18, 2002

Electric power resource adequacy is fundamental to the interests of SVMG member companies and SVMG's objectives of reliable, fairly priced power, and we support FERC's efforts in this area.

We would like to express the concern, from the customer's perspective, that regulations intended to ensure resource adequacy in fact end up placing additional risks and costs on customers, and restrict customer choice.

In California, if we have learned anything from ratebased utility generation, QF mandates and now the state's power purchases, it should be that centralized resource planning often results in stranded costs that must be borne by customers. We have also learned that, until these costs are recovered, customers are prevented from seeking alternative energy supplies that may better meet their needs.

Utility industry restructuring rightly places the risk of new generation development with developers, who can manage it, rather than with customers who cannot. We believe this feature of restructuring should not be abandoned.

The risks associated with resource commitments made in response to regulatory requirements are ultimately borne by customers. Too-strong incentives for Load Serving Entity (LSE) resource commitments in the name of resource adequacy will result in out-of-market costs that prevent customers from seeking competitive energy supply alternatives that meet their needs.

We suggest that Independent Transmission Provider (ITP) resource adequacy assessments should be advisory, and LSE term resource procurement should be limited to monthly and annual commitments except where end-use customers have made long-term purchase commitments.

About the Silicon Valley Manufacturing Group

The Silicon Valley Manufacturing Group was founded in 1977 on the premise that local employers should be actively involved in working with government to find innovative solutions to issues like transportation, housing, permit streamlining, education, and the environment. As of January 2002, the Manufacturing Group is proud to represent 180 of Silicon Valley's most respected employers who provide nearly 250,000 local jobs, or one job in four in the private sector.

Currently, SVMG addresses the following five core issues: affordable housing, comprehensive transportation, reliable energy, quality education and a sustainable environment.

The mission of the SVMG Energy Committee is to advocate for clean, reliable, high quality and fairly priced power in an open market based system that maximizes entrepreneurial spirit and customer choice for the benefit of all California ratepayers.

For more information, see www.svmg.org.

New Power Technologies is a Silicon Valley company focused on identifying and developing businesses and technologies that enable an intelligent energy infrastructure. For more information, see www.newpowertech.com.