
FEDERAL ENERGY REGULATORY COMMISSION



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NEWS RELEASE

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CHAIRMAN HOECKER COMMITTED TO WORKING WITH CALIFORNIA GOVERNOR ON ELECTRICITY CONCERNS

Chairman James J. Hoecker of the Federal Energy Regulatory Commission today assured Governor Gray Davis of California that he is committed to seeking lasting solutions to the Governor's concerns over electricity price increases in the state.

In a letter responding to the Governor's concerns about recent price increases in the state, Chairman Hoecker said that California and the Commission share the same goals—an electric industry that provides reliable, efficient, and reasonably priced services to the American consumer. He also made clear that the Commission is ready to act in appropriate ways on matters under its jurisdiction that will help alleviate the situation in southern California.

The Chairman's letter specifically states in part: "Electricity is a commodity that is essential to people's quality of life. Competitive markets will serve those needs best in the long run. However, we recognize that retail price volatility has real impacts on consumers in California. Federal and state authorities must therefore cooperate to ensure that markets are allowed to work and that energy suppliers are not prevented from prudently managing the price risks associated with competition."

During California's restructuring of its electricity markets, the Commission was committed to acting quickly on state proposals so that California could implement their plans in accordance with their own timetable. Many developments initiated by S.B. 1890 fall under the Commission's jurisdiction. The Commission has received 29 filings since the California Independent System Operator (ISO) became operational on March 31,

(2)

1998. Many of these filings contained multiple amendments which the Commission has addressed in an expeditious manner.

The Commission is newly focused on market problems that arise as the industry makes the transition to competition. On July 26, the Commission began an investigation of electric bulk power markets so that it can determine whether markets are working efficiently. Commission staff will investigate the markets, including volatile price fluctuations, and report their findings by November 1, 2000.

Chairman Hoecker met very recently with Secretary of Energy Bill Richardson and several leading industry executives to develop nationally-applicable principles that will govern electric reliability. The group agreed that the federal and state governments and the electric industry must work together to enhance reliability and that the industry and government should coordinate and share information to enhance the effectiveness of public outreach and communication efforts.

It was also agreed that federal legislation should promote the development of enforceable reliability rules and that a free, open and robust marketplace will ensure the highest degree of reliable electric service and promote needed investment in generation and transmission facilities as well as energy efficiency programs.