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BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

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IN THE MATTER OF: :
CONSENT MARKETS, TARIFFS AND RATES - ELECTRIC :
CONSENT MISCELLANEOUS ITEMS :
CONSENT MARKETS, TARIFFS AND RATES - GAS :
CONSENT ENERGY PROJECTS - HYDRO :
CONSENT ENERGY PROJECTS - CERTIFICATES :
DISCUSSION ITEMS :
STRUCK ITEMS :
- - - - -x

860TH COMMISSION MEETING
OPEN MEETING

Commission Meeting Room
Federal Energy Regulatory
Commission
888 First Street, N.E.
Washington, D.C.

Wednesday, May 26, 2004
11:05 a.m.

1 APPEARANCES:

2 COMMISSIONERS PRESENT:

3 CHAIRMAN PAT WOOD, III, Presiding

4 COMMISSIONER NORA MEAD BROWNELL

5 COMMISSIONER JOSEPH T. KELLIHER

6 COMMISSIONER SUEDEEN G. KELLY

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19 ALSO PRESENT:

20 DAVID L. HOFFMAN, Reporter

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P R O C E E D I N G S

(11:05 a.m.)

CHAIRMAN WOOD: This open meeting of the Federal Energy Regulatory Commission will come to order to consider the matters which have been duly posted in accordance with the Government in the Sunshine Act for this time and place. Please join us in the Pledge to the Flag.

(Pledge of Allegiance recited.)

CHAIRMAN WOOD: We've gotten a lot put to bed in the last hour or so. I would like to add one of particular interest and we are in the final stages on that. I expect we will put that out in the next week or so.

As we go out, I'll pull a number of the other items. A number of them also have last-minute settlements, which we really like in this docket, E-3.

With no further ado, we'll ask Magalie to read these off.

SECRETARY SALAS: The following items were struck from the agenda on May 19th: E-1, E-13, E-20, E-23, E-25, E-33, E-39, E-40, G-10, and A-3.

The consent agenda for this morning is as follows: Electric Items: E-3, 5, 7, 8, 9, 10, 16, 17, 19, 21, 22, 24, 26, 27, 28, 29, 31, 34, 35, 37, 43, 44, 45, 49, 50, 51, 52, 53, 54, and 55.

Miscellaneous Items: M-1.

1 Gas: G-1, 4, 5, 6, 7, 9, 11, 12, 13, 14, 15, 16,
2 18, 19, 20 and 21.

3 Hydro Items: H-1, 2, and 5.

4 Certificates: C-1, 2, and 3.

5 As required by law, Commissioner Kelly is recused
6 from the following cases on the consent agenda: E-5, E-28,
7 E-31, G-4, G-20, and C-2.

8 Specific votes for other items on the consent
9 agenda are as follows: E-16, Commissioner Kelly dissenting,
10 in part, with a separate statement; E-29, Commissioner Kelly
11 dissenting, in part, with a separate statement; G-5,
12 Commissioner Brownell concurring, with a separate statement;
13 and H-1, Commissioner Brownell concurring, with a separate
14 statement.

15 Commissioner Kelliher votes first this morning.

16 COMMISSIONER KELLIHER: Aye.

17 COMMISSIONER KELLY: Noting my dissent in E-16
18 and ER-29, I also vote aye.

19 COMMISSIONER BROWNELL: Aye, noting concurrence
20 in H-1 and G-5.

21 CHAIRMAN WOOD: I vote aye.

22 SECRETARY SALAS: Today we have one item on the
23 discussion agenda. It is E-6. This is New England Power
24 Pool, with a presentation by Jeffrey Dennis, who is
25 accompanied by Alfonso Lentini, and Gregory Berson.

1 MR. DENNIS: Good morning, Mr. Chairman and
2 Commissioners. This Order sets for filing, except for
3 filing changes, Section E.2 of the New England Power Pool
4 Open Access Transmission Tariff to implement the 103
5 Agreement on amending the New England Power Pool Agreement.

6 Specifically, the 103rd Agreement amends and
7 restates NEPOOL's existing financial assurance and billing
8 policies to implement a weekly billing and payment system
9 for charges in NEPOOL's hourly markets.

10 Currently, NEPOOL utilizes a monthly billing and
11 payment system for these charges. Under the proposed tariff
12 revisions, ISO New England will file any charges on a weekly
13 basis, issuing statements for such charges each Thursday,
14 with payment due in the fourth business day following
15 issuance of the statements, typically Wednesday.

16 ISO New England will distribute remittances on
17 the sixth business day following issuance of the statement,
18 typically Friday. Under these procedures, market
19 participants will receive payment for their services within
20 12 to 14 days, and the amount of financial assurance
21 required of market participants will be reduced, since power
22 will be sold on credit over a shorter period of time.

23 Additionally, the 103rd Agreement creates a
24 payment default shortfall fund, which ISO New England can
25 utilize to clear weekly settlements in the event of a

1 participating default, and the financial assurance that a
2 default a participant provided is sufficient to cover non-
3 congestion-related amounts that remain due.

4 The Order finds that NEPOOL has shown these
5 proposed tariff revisions to be just and reasonable. The
6 Order also discusses a request by ISO New England, that the
7 time for paying statements be reduced from four business
8 days after issuance to two business days.

9 The Order declines to revise NEPOOL's proposal,
10 as requested by ISO New England, but notes that a shorter
11 time period for paying statements may, in the long run,
12 better serve the goal of ensuring that credit and collateral
13 requirements do not inhibit access to the NEPOOL market,
14 because it would require less collateral and further reduce
15 exposure that participants face in the event of a default.

16 Accordingly, the Order requires NEPOOL to explore
17 further, through the stakeholder process, whether the amount
18 of time to pay statements could be reduced to two days and
19 to file a report on the results of these discussions within
20 180 days of the date of the Order. Thank you.

21 CHAIRMAN WOOD: I just want to call this up and
22 to use this opportunity, because I know we've had some
23 discussion on this policy among us and among the Staff over
24 the last couple of weeks.

25 I wanted to just use this opportunity to publicly

1 announce that a conference that we're planning going forward
2 -- let me make sure I've got the right date -- July 12th.
3 In the gas industry, we put out a number of creditworthiness
4 cases. We've dealt with a half dozen cases over the last
5 couple of years, about the creditworthiness provisions
6 across the natural gas pipeline industry, and we're holding
7 this conference in July to consider, among other things,
8 whether we should, in fact, consider a similar course in the
9 electric industry.

10 Specifically, this conference is going to
11 consider whether the Commission should do generic
12 rulemakings to consider credit-oriented issues for service
13 provided by jurisdictional transmission providers, by ISOs
14 and RTOs, and as we saw here today in today's filing, we're
15 already moving forward with that in New England.

16 I think the entire creditworthiness issue popped
17 up in New York as well. The Commission Staff will lead this
18 conference. We've invited the members of the CFTC Staff and
19 they have accepted to also participate. The Commissioners
20 may attend as well.

21 While credit policies have always been a
22 component of our regulatory agenda, the events of the past
23 couple of years have moved it up on the list of priorities
24 for us and certainly we've got to be mindful of the balance
25 between coddling deadbeats and extinguishing competition.

1 And there is a balance point in between, and I do think that
2 with good, open-ended deliberative processes, we can figure
3 out what that ought to be.

4 There is a lot of variation across the country
5 and we will hear about why, in fact, that should be. We
6 have a national players in these markets, as we have in the
7 gas markets.

8 I am hoping to hear the feedback on how we
9 address these issues. I'd love to think they'll go away,
10 but I think a prudent Commission learns from the past, so
11 that our successors don't have to repeat it at some time in
12 the future.

13 So I appreciate the suggestion of leadership from
14 the Staff to pull these issues together. It's been helpful
15 in our discussions over the last week.

16 There is a notice being circulated among us that
17 has a number of questions that we want to ask the parties to
18 focus on and their comments at the conference. It will also
19 focus in on the date, so the parties can come up with that
20 in the next few days. That's all I've got to say.

21 I think this Order is fine. I have some sympathy
22 toward the ISO New England position, but I also respect the
23 NEPOOL process. It think it certainly points in the right
24 direction.

25 I just wondered if we could go further, but I'm

1 willing to take what we've got today and ask this question
2 more broadly in the coming months.

3 COMMISSIONER BROWNELL: I'd like to say that I'm
4 really glad to see this emerge. We've been talking about it
5 for a long time, and I hope the parties won't be quick to
6 say, yes, standardize, no, standardize.

7 I'd like to get out of this, and I know that the
8 Commission would, as well, to get to a full understanding of
9 what the credit issues are, since we began that little
10 shared conference with the CFTC. There are a lot of issues
11 involved in setting credit standards, including the
12 potential to shut down the market pretty quickly or to show
13 preference.

14 That's difficult to plan without some
15 consistency, if you're a national grid in multiple regions.
16 I hope we'll have a very full discussion of what the issues
17 are and not have people kind of position themselves in the
18 either/or category as we sometimes do.

19 This is an issue that will not go away, and I
20 think has unseen and not fully understood consequences in
21 the development of policy. So I'm excited about this. You
22 know how quickly you are to get excited about credit.

23 (Laughter.)

24 CHAIRMAN WOOD: Let's vote.

25 COMMISSIONER KELLIHER: Aye.

1 COMMISSIONER KELLY: Aye.

2 COMMISSIONER BROWNELL: Aye.

3 CHAIRMAN WOOD: Aye. Meeting adjourned.

4 (Whereupon, at 11:20 a.m., the open session was
5 concluded.)

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