

**Standard Market Design:**  
Environmental Assessment Scoping  
Meeting

Federal Energy Regulatory Commission  
Washington, DC  
August 12, 2002

# Commission Strategic Plan: ***Making Markets Work***

- Goal 1: Promote a Secure, High Quality, Environmentally-responsible Energy Infrastructure Through Consistent Policies
- Goal 2: Foster Nationwide Competitive Energy Markets as a Substitute for Traditional Regulation
- Goal 3: Protect Customers and Market Participants through Vigilant and Fair Oversight of the Transitioning Energy Markets
- ***SMD Works for All Three Goals***

# Standard Market Design Will *Make Markets Work*

- Eliminates Transmission Discrimination
- Sets up Transparent Day-ahead and Real-time Markets to Provide Efficient Price Signals
  - Values Current Resources efficiently
  - Values Future Resources and Locations Efficiently
- Uses LMP to Manage Congestion
- Mitigates very high prices and market power
  - Protection against runaway prices
  - Known Ahead of Time
- Good Short-term Market Lets Everyone Value Longer-term Contracts
- Lowers Costs by Standardizing Market Features, Rules

# SMD: Third of a Trilogy

- Functional Unbundling – Order No. 888
- Regional Transmission Organizations – Order No. 2000
- Standard Market Design
- ***All Designed to Achieve Competitive Wholesale Electric Markets***

# Previous Environmental Analyses

- EIS For Order No. 888
  - All Effects from Competition Are Small
  - Whether Good or Bad for Environment Depends on Whether Future Favors Gas or Coal
- EA for Order No. 2000 – Effects are Small
- Key Point – Both Analyses Studied Electric Competition
  - More Efficient Generation
  - Better Use of Transmission
  - Considered Transmission Expansion

# Standard Market Design Helps the Environment

- Recognizes Importance of Demand Resources – Treated Equally in Market Design and Operation
- Explicit Provision for Intermittent Resources such as Wind and Demand
- Allows Entry of New Supply Technologies – Will Tend to be Cleaner
- Better Cost Recognition Leads to Better Balance of Generation, Transmission and Demand Resources

# What We Propose to Do

- **To Start with Baseline of World Today** – To Study Effects With and Without SMD. Absolute Levels Less Important than Incremental Effects.
- **Not to Reinvent the Wheel** – Not to Study Electric Competition Generically Again; Not to Run a Full National Model

# What We Need From You

- To Give Your Thoughts
- Especially:
  - To Let us Know if our Basic Strategy is Right, and
  - If it is, to Help us Identify the New Issues