
FEDERAL ENERGY REGULATORY COMMISSION

WASHINGTON, D.C. 20426



NEWS RELEASE

NEWS MEDIA CONTACT:

Barbara A. Connors
(202) 208-0680

FOR IMMEDIATE RELEASE

October 9, 2002
Docket Nos. EL02-101-000,
RT02-1-000 and EL02-9-000

COMMISSION ADVANCES KEY RTO PROPOSALS IN SOUTHEASTERN, SOUTHWESTERN REGIONS

A proposed regional transmission organization (RTO) that would extend over eight Southern states took an important step forward today as the Federal Energy Regulatory Commission looked with favor on key elements of the SeTrans RTO.

In approving essential parts of the proposed RTO and in the wake of an earlier order applauding central aspects of a western RTO, the Commission said that SeTrans complies with Order No. 2000 in such critical areas as its governance structure, transmission pricing policy, business model and the Independent System Administrator (ISA) selection process.

Order No. 2000 is the landmark rule that focused attention on the need for regional coordination and outlined the specific characteristics and functions of RTOs.

Commented Chairman Pat Wood, III: "I am very pleased that the basic building blocks for RTOs are falling into place. I anticipate further progress as we work with stakeholders and state representatives to create an effective and efficient power grid. It is not this Commission's intent to overturn, in the final Standard Market Design (SMD) rule, decisions made in this case. SMD and the better market oversight and enforcement provided by our new Office of Market Oversight and Investigations will build sound foundations and quality benchmarks for the industry, customers and the marketplace."

RTOs are intended to facilitate the efficient exchange of electricity over large regions of the country and to act as "highways" that allow participants to reach markets.

R-02-43

(More)

(2)

They are developing throughout the United States as a means of remedying economic inefficiencies that stem from the lack of regional coordination and undue discrimination and currently impair the nation's transmission grid. The Commission has stressed that adequate infrastructure, balanced market rules and market monitoring are essential to a genuinely competitive electric market. It wants to expand opportunities for generators and give customers more choices and cost savings.

The proposed SeTrans RTO governance structure centered on an ISA (which will perform the RTO functions identified in Order No. 2000), supported by an independent market monitor, satisfies the independence criteria, the Commission said. The Commission also provided guidance on certain issues the SeTrans companies define as critical to forming their RTO.

The Commission endorsed the inclusion of participant funding as part of a transmission pricing policy for SeTrans.

SeTrans, extending across Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, South Carolina and Texas, had asked the Commission for guidance so that the SeTrans members could reach their RTO operational target date in 2004.

The jurisdictional members of SeTrans include: Southern Company, representing Alabama Power Company, Georgia Power Company, Gulf Power Company, Mississippi Power Company and Savannah Electric and Power Company; the Entergy Companies – Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans – and Cleco Power, L.L.C. The nonjurisdictional members are: Dalton (Georgia) utilities; Georgia Transmission Corporation; JEA (formerly Jacksonville Electric authority); MEAG Power; Sam Rayburn G&T Electric Cooperative; South Carolina Public Service authority; and the City of Tallahassee, Florida.

In a separate order, the Commission gave preliminary approval to an RTO that would operate in parts of Arizona, Colorado, New Mexico and Utah. Among other things, the order on the WestConnect RTO, L.L.C.:

- conditionally approves the proposed governance structure;
- approves the proposed license-plate rate for an interim period;
- approves the use of a grid charge to recover WestConnect's operations;
- accepts the voluntary conversion of exiting contracts;

R-02-43

(More)

(3)

- accepts the plan for addressing parallel path flows within its region;

- approves the proposed ancillary services provisions; and
- approves, subject to modification, the planning and expansion proposal.

The Commission accepted an interim measure and provided guidance on its market monitoring proposal and directed the companies to develop a congestion management plan that avoids artificial seams between WestConnect and other western RTO proposals.

The Commission directed WestConnect's members—Arizona Public Service Company, El Paso Electric Company, Public Service Company of New Mexico and Tucson Electric Power Company—along with its stakeholders, to continue their planning, and encourage them to incorporate the central elements of the Commission's recent SMD proposal as they continue the development of their RTO.

SMD proposes a proven market design that will benefit customers through clear, standardized regulations intended to bring about more efficient transmission and lower costs for electricity.

The Commission approved key aspects of the RTO West proposal last month. RTO West includes all, or part of, Washington State, Idaho, Montana, Oregon, Nevada, Wyoming and Utah and a small part of northern California near the Oregon border.