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## **FERC RULING WILL OPEN DOOR TO A NEW ERA OF TRANSMISSION INVESTMENT**

McLean, VA, August 5, 2002 – FERC Chairman Pat Wood's ringing of the opening bell on the New York Stock Exchange last Friday signifies the commission's commitment to open, liquid energy markets. One day earlier, Mr. Wood placed this commitment in writing through FERC's new NOPR, creating an unbiased open access transmission system and standard electricity market design. The changes outlined in the NOPR, if implemented by the final rulemaking, will be widespread and enable companies to make investments that would previously not have been economically prudent. It is not coincidental that on the same day as the NOPR release, TXU Energy announced that it had agreed to provide \$15 million in development capital for the 1,200 MW undersea transmission line between New Jersey and New York, known as the Neptune Regional Transmission System. These events mark the beginning of a new era of growth in transmission investments and integration in the industry.

More than a decade ago, the Commission caused a similar change in the natural gas sector. The overall effect lowered prices and allowed players that understood these new rules to make wise investments and grow profitably. One estimate pegged consumer savings caused by this restructuring at more than \$600 billion since 1984. This was due to competitive market prices replacing fully regulated prices for natural gas. The electricity sector is several times larger and the savings caused by this remedy are expected to be commensurate with this larger size.

While this NOPR is extensive and covers a broad range of issues in electricity delivery, the most prominent elements include the following:

- Price discovery and market transparency to foster open markets with all participants allowed access to critical information.
- Active monitoring and mitigation to ensure there is no gaming of the system to the detriment of end users.
- Central spot-power market with a decentralized long-term contract based market to allow trading of power and Congestion Revenue Rights (CRRs).

Historically, the utilities have primarily served their own jurisdictions. This new market design allows for a fully integrated U.S. power market with incentives for transmission and other related investments. In theory, correcting these market deficiencies will allow for companies to make wise investments across the nation with full market understanding. This new NOPR should help to eliminate concerns about such issues as seams between regions, and locally owned utilities or transmission owners

favoring themselves to the detriment of other players, end-use customers, or the market in general.

Beacon Energy understands the necessity of carefully analyzing the opportunities that the release of this NOPR affords to companies. Beacon Energy, along with several other companies formed the Council for Competitive Transmission (CFCT) to advance fair market competitive approaches to transmission. The CFCT has been active at FERC in advancing LMP, price transparency and CRRs. On behalf of client companies, Beacon Energy has continued to research new transmission opportunities and analyze differences in local prices and transmission requirements. Beacon Energy has targeted 10 transmission deficient areas for additional analysis and review.

This important and historic order opens the gates for full competition and opportunities in the realms of transmission, demand response, and trading. The question for companies affected by this NOPR is not “should we move” but rather “where should we move?” As with any market that transitions to full competition, some companies will miss out due to inaction and other firms will strive to participate and lose out completely or receive less of a return than would have been possible. There will also be those few companies who take the time to understand what these changes really mean and make the investments necessary to profit from them.