

THE COMMISSION ON ELECTRIC UTILITY RESTRUCTURING

**STATUS REPORT: THE DEVELOPMENT OF A
COMPETITIVE RETAIL
MARKET FOR ELECTRIC GENERATION**

**Presentation of
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Senate Room D, General Assembly Building**

KEY POINTS

- The SCC provides a “scaled down” report this year reflecting Virginia’s change in direction regarding the administration of its electric utility industry.
- Choice is still technically allowed for most customers, however market conditions continue to prevent voluntary customer participation.
- While Dr. Rose’s Section I is omitted this year, we observe that market wholesale electric prices are currently high relative to cost-based rates paid by most Virginians.
- PJM wholesale prices and processes are still very important to Virginia
 - Virginia’s utilities purchase and sell power in PJM markets
 - Transmission line applications are driven by the PJM planning process
- The year’s past events have clearly demonstrated why the VA SCC cannot assure Virginians that the PJM market is competitive and that monopoly pricing power is effectively mitigated, because there is no independent monitoring of the PJM market and the VA SCC has historically had great difficulty obtaining data necessary to make our own determination.
- Very many of the ways in which PJM outcomes impact Virginia are currently subject to litigation. As such, uncertainty abounds.

INTRODUCTION

- Each September 1st the Virginia State Corporation Commission submits, pursuant to the Virginia Electric Utility Restructuring Act, a status report on the development of a competitive retail market for electric service in Virginia to the Commission on Electric Utility Restructuring and the Governor.
- In a break with past practice and in response to the enactment of SB 1416, this year's report contains a single section. Dr. Rose's status report on the development of wholesale and retail electric markets around the country is omitted as are recommendations (by the SCC as well as other stakeholders) to facilitate effective competition in the Commonwealth.
- The report carries forward and updates Part II from prior years. This section includes information on the status of retail access and competition here in Virginia, Utility Specific Reviews, information on PJM issues and information related to proceedings before the Federal Energy Regulatory Commission (FERC).

UTILITY SPECIFIC REVIEW

- **Dominion Virginia Power**
 - **Fuel Factor Filing Spring '07 pursuant to SB 1416**
 - **North Anna**
 - **500 KV line in Northern Virginia filed in April '07**
 - **500 KV line in Southern Virginia filed in May '07**
 - **Southwest VA Coal Plant filed July '07**

- **AEP Virginia**
 - **Commission ruled on several APCo cases this past year and several more are pending**
 - **New E&R cost recovery case filed July '07**
 - **West Virginia Coal Plant application filed July '07**
 - **Pending Fuel Factor (\$33.4 M), interim 9/1/07**

UTILITY SPECIFIC REVIEW

- **Delmarva Power**
 - **22,000 customers on Eastern Shore**
 - **Controversy continued regarding application of year 2000 MOA**
 - **Pending acquisition by A & N Electric Coop**

UTILITY SPECIFIC REVIEW

- **Potomac Edison (APS)**
 - **The VA SCC adopted a “similar” MOU in 2000**
 - **The MOA entitled customers to certain financial benefits associated with APS generating units**
 - **Subsequent legislation has made that entitlement subject to dispute**
 - **500 KV Transmission line application**

FEDERAL REVIEW

- **Allocation of bulk transmission costs among PJM Zones – still in litigation**
- **RPM - implemented by PJM – still in litigation**
- **RTO bulk transmission planning – revisited in Order 890**
- **National Interest Electric Corridors - EPACT 2005 – impact on Va. 500 KV applications unclear**
- **Advance NOPR – to improve wholesale markets**

PJM MARKET MONITORING

- On September 12, 2006, the VA SCC wrote to the Governor and the General Assembly stating that “we cannot represent to you with confidence that the PJM-administered wholesale electric market is, in fact, competitive, nor can we represent to you that it is transparent.”
- Events before FERC this past year demonstrate that this longstanding concern regarding PJM and its market monitoring function has been well founded.
- The issue of alleged improper PJM management interference with the PJM market monitor in the performance of his duties is discussed at length in the report.
- Proceedings regarding this matter continue before FERC as this report is finalized.