

Restructuring Issue	SCC	ALERT	Va.Pwr.	AEP-Va.	Allegheny	Co-ops.	MEPAV	Wash. Gas	CNG	AOBA	SELC	VCAP
56-578; Municipalities; applicability.		Munis should be exempt from retail competition unless they sell (i) outside municipal supply territory (ii) through an RPX, or (iii) to a supplier/distributor of electricity.	Munis should be permitted to opt in to retail competition; reciprocity required if they sell outside their systems.	Munis should be permitted to opt in to retail competition; should not be permitted to sell outside their system, if they deny retail choice to their current customers.	Munis should be treated like any other electric utility. However, if exempted from restructuring plan, reciprocity must be required if they sell outside their systems	Munis should be permitted to opt in to retail competition; reciprocity required if they sell outside their systems.	Munis should be permitted to opt in to retail competition; reciprocity required if they sell outside their systems.	Munis should be allowed to market their generation capacity to all customers, if their service territory is open to competition.	-----	Munis should exit from the electric generation and power sale business, unless they can provide services at rates below market. Muni customer should have same retail choice options as IOU customers.	-----	Local governments could help aggregate their residents.
56-579; Schedule for transition;	Legislation defining SCC responsibilities should cover three areas: (i) defining competitive areas, (ii) establishing contingency provisions if prerequisites for choice not in place by legislative dealines, and (iii) maintaining protective											

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	measures, e.g., regulated rates, until competition is an effective regulator to protect consumers.											
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• Timetable		1/1/2000: ISO/RPX formation complete; 7/1/2000: commence competition; 7/1/2001: full competition in place.	As established by HBI-1172: 1/1/2001: ISO/RPX in place; 1/1/2002: transition begins; 1/1/2004: full retail competition.	No set dates; 2002 date set by HB-1172 termed aggressive, but can be met. Unbundle for 1-2 years, followed by 4-5 year transition phase in which rates would be capped and utilities permitted to recover their regulatory assets and stranded commitments.	No date specified; Five year transition period recommended.	Should begin when ISO/RPOX in place and transmission constraints eliminated or appropriate price controls (related to transmission constraints) are in place.	No timetable specified. SCC could set timetable for jurisdictional utilities.	1/1/99: enrollment for year 1 of a pilot phase; 1/1/200: enrollment in year 2 of pilot phase coinciding with functional ISO/RPX	As soon as practicable	SCC should determine subject to legislative guidelines. Legislative guidelines should not establish a fixed time schedule for retail competition.	-----	
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• Phase-in by customer class, or		1/3 of each customer	Phase in by customer	No customer	All classes of	Concurrent commencement	Phase-in approach	Phase in through	SCC should determine	SCC to determine (see	All customers	Residential and small
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concurrent commencement for all customer classes.		class (industrial, residential, commercial) by 7/1/2000, then 100% of all classes by 7/1/2001.	class; Industrials in 2002; commercial in 2003; residential in 2004.	class should be advantaged or disadvantaged during phase-in.	customers can choose alternative supplier during phase-in—customers to be selected on subscription or lottery basis.	ent of competition for all customer classes.	may be best.	pilots with percentages of customer classes.	whether phase-in is appropriate . If phase-in, customers should be permitted to subscribe on first-come-first served basis.	above).	simultaneously	business customers must go first, or concurrently with all other customer classes.
• Linkage between ISO/RPX readiness and retail competition		Yes , ISO/RPX readiness by 7/1/2000; retail competition for 1/3 of all customer classes.	Yes , as per HB-1172	Yes	No	Yes, but ISO/RPX operation must be preceded by resolution of transmission constraints and other market power issues.	Yes	Proposed Pilot start-ups in 1999 should not be delayed due to delays in establishing ISO/RPX.	No , but SCC oversight should continue pending development of fully competitive market.	Pilot programs could stimulate early ISO/RPX completions.	ISO/RPX essential to competition.	
• Linkage between retail competition in Va., and in other states served by same regional ISOs		No	No	-----	-----	No	No position taken, except that Virginia should not rush into retail competition even if neighboring states served by	General Assembly should inform neighboring states that Va. intends to have a fully functional ISO by a date certain	No	No	-----	

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							ISOs serving Virginia begun retail competition.					
<ul style="list-style-type: none"> • SCC authority to vary time schedule. 		Yes , but subject to limitations	Yes , but subject to limitations.	-----	-----	Yes.	Yes , depending on the state of the industry at the time a restructuring bill is enacted.	Yes , SCC should have authority to vary time schedules .	Yes	Yes	Yes , within parameters defined by General Assembly.	Yes
<ul style="list-style-type: none"> • Mandatory baseline rate cases 		Yes , for purpose of establishing charges for distribution services and metering and billing	No , file pre-transition rate cases under existing statutes.	-----	-----	Preliminary Cost of service study needed to unbundle rates; rate changes could occur as part of utility filings as part of that study.	No position, although concerned that baseline cases and rate freezes may cause current captive utility customers to subsidize future utility customers in a deregulated market.	SCC should conduct rate cases to establish base rates.	No	Necessity of baseline cases should be within SCC discretion; but, rate cases for unbundling purposes must be required.	-----	
<ul style="list-style-type: none"> • Rate freezes in mitigation of stranded costs. 		Address as part of stranded costs.	-----.	Yes , during 4-5 year transition phase, rates should be capped,	SCC should freeze retail rates during five-year transition period.	Not opposed , but should be preceded by review of stranded	No position, although concerned that baseline cases and	-----	No , stifles competition	No.	-----	

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				giving opportunity to recover regulatory assets and stranded commitments.		costs issues.	rate freezes may cause current captive utility customers to subsidize future utility customers in a deregulated market.					
<ul style="list-style-type: none"> Preliminary wholesale competition 		already exists; no additional measures needed.	generation dereg will enable.	-----	-----	Already exists via FERC-approved ISOs and Open Access transmission tariffs (OATT).	Sales for resale should be addressed by FERC under the Federal Power Act. If wholesale refers to sales to large retail customers, SCC should have discretion to delay the implementation of such competition	Retail competition should proceed independent of wholesale competition	Wholesale and retail competition are evolving together	Yes, but subject to conditions of nondiscriminatory qualification, and assurance that participants do not escape responsibility for stranded costs.	-----	
<ul style="list-style-type: none"> Unbundling 		Yes , and all services other than transmission and distribution	Yes , in 2002	Yes , competition's first phase would be a 1-2 year unbundling	Yes , an essential first step. Cost-of-service studies	Yes , needed for informational purposes.		Unbundling of separate services on bill should proceed as quickly as	Competitive unbundling should occur slowly, with SCC	Yes	-----	

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		should be unbundled and made competitive services.		phase in which rates would be evaluated, unbundled, and distribution tariffs prepared.	could be used as basis for unbundling			possible	making utility-by-utility determinations about when services should be removed from price regulation.			
• Pilot Programs		Yes , but none after retail competition commences.	Yes , but not in legislation; SCC order in PUE980138 has initiated them.	-----	-----	Yes , but not for purposes of demonstrating cost savings; helpful for experience in assessing development of competition.	-----	Yes , proposed pilots to begin in 1999.	No , take advantage of pilot-related information developed in other states.	Large-scale pilots should be the key elements of any phased-in plan (determination of phase-in, however, is up to SCC).	Retail competition should be preceded by pilot program for residential and small business customers. Adequate disclosures about emissions should be required in pilot program	
56-580; nondiscriminatory access to transmission and distribution system	General policy options: (i) General Assembly establishes rules for nondiscriminatory access to											

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	distribution service; SCC enforces, or (ii) SCC establishes and enforces rules and tariffs for nondiscriminatory access to distribution facilities, based on legislative criteria.											
<ul style="list-style-type: none"> Delineating jurisdictional limits of SCC and FERC 		Transmission rates: FERC; distribution rates: SCC.	Yes , Va. bill should reiterate SCC's jurisdiction over distribution and FERC's jurisdiction over trans.	Transmission rates: FERC; distribution rates: SCC.	Transmission rates: FERC; distribution rates: SCC.	Transmission rates: FERC; distribution rates: SCC. However, SCC should have seat on ISO boards or on ISO advisory committees.	Transmission rates: FERC; distribution rates: SCC. Also, 7-factor test in FERC Order 888 distinguishing between distribution and transmission facilities should be incorporated into legislation.	State legislation should require open access in both distribution and transmission systems. SCC, FERC and ISO/RPX should administer pertinent remedies consistent with their jurisdictions.	Regulatory gaps may exist between SCC and FERC.	Transmission, FERC; distribution, SCC	-----	
<ul style="list-style-type: none"> Transmission import constraints 		-----	FERC's OATT and ISO administratio	Must be dealt with by ISOs subject to	-----	Transmission constraints in any given	ISO with independent governing board to	Efforts should be made to deal with constraints	-----	FERC lacks jurisdiction over market power at retail	-----	

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			n will mitigate. Also SCC can consider market power in timing residential retail access.	FERC oversight.		region must be alleviated or price controls in place before ISO/RPX permitted to operate.	provide fair management and pricing of constraints and maximum efforts to minimize constraints.	and their financial impact.		level, thus legislation should direct SCC to conduct study of this issue.		
<ul style="list-style-type: none"> Regulation of transmission rates where transmission constrained. 		-----	FERC will regulate rates; SCC and state authority limited to siting of and determining need for new transmission lines. FERC will not approve market-based rates until constraint relieved	Must be dealt with by ISOs subject to FERC oversight	-----	Yes , limit to cost of service until constraint alleviated.	No position taken, awaiting outcome of pricing structure in Alliance ISOs.	-----	-----	SCC should address market power issues for affected areas through divestiture of generation and other means.	-----	
56-581; Independent system operator; roles and functions	Policy options: (i) direct utilities and/or all owners of generation to form or joint IOS, subject to SCC review applying		ISO's central function is to coordinate transmission system and ensure its reliability		Regional ISOs will help promote robust regional electricity markets while ensuring that system reliability	ISO's central function is to ensure nondiscriminatory access to transmission grid, and to maintain system reliability			ISOs may create yet another tier of regional regulation as well as regulatory uncertainties, i.e., FERC's limited authority	ISOs and ISO proposals will generally fall under FERC jurisdiction.	Independent governance and operation of transmission system.	

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	legislative criteria to ensure public interest is served, or (ii) give SCC authority to address this issue applying legislative criteria.				and stability is maintained.				over state issues.			
• ISO board composition		Board must be independent ; if stakeholder board used, stakeholders must have actual role in ISO governance.	Independent board; mechanism to ensure stakeholder input or representation.	Board membership and operating structures should ensure independence and balanced representation between transmission owning entities and other stakeholders.	-----	Majority of board should have no interest in any entities whose assets are controlled by ISO. All stakeholders should be represented on the board.	Advocate independent governance structure.	ISOs should be operated by appointed and independent board.	-----	Should not be addressed in legislation, but may be factors for SCC consideration in developing a Virginia public interest standard.	Publicly accountable board of directors, consisting of representatives of wholesale market participants , all customers classes and environmental interests.	
• ISO conformity to Va. public interest standard		SCC should have authority to approve each utility's participation in ISO;	SCC will have input in ISO development.	Current ISO formation process will provide opportunities for all stakeholders	-----	Va. can influence ISO development and operation through board	FERC Order 888's 11 principles when implemented in ISO formation	-----	-----	Supports SCC development and application of a Virginia Public Interest Standard for any ISO in	Propose establishing a prototype governing board of a Virginia ISO. Prototype	

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		emphasis on reliability, transmission constraints and market power.		s, including SCC, to have input, thus protecting the public interest.		participation, initial approval of ISOs and approving of electric facility siting within state.	should result in a self-regulated entity requiring limited FERC and SCC oversight—or oversight by other states' regulatory commissions.			which Virginia utilities will participate.	board would decide rules by which transmission grid should be governed; FERC ISO approval filings should be consistent with these rules.	
<ul style="list-style-type: none"> • SCC oversight of ISOs after their implementation. 		SCC to have authority to determine whether continued participation by utility in ISO is appropriate upon change of structure or operation of ISO.	SCC can intervene before FERC, plus it will still have oversight of new transmission facilities for routing and certification purposes.	-----	-----	Can exert influence through siting process.	-----	-----	SCC should work with FERC and other regulatory bodies to address regulatory shortfall as they emerge.		-----	
<ul style="list-style-type: none"> • ISO coordination with load serving entities (LSEs); voltage stability, generation reserves, etc. 		Topic describes areas falling within ISO responsibilities.	Principles 4,6 and 11 within the 11 ISO principles established in FERC Order 888 address these issues	Topic describes areas falling within ISO responsibilities.	-----		-----	Topic describes areas falling within ISO responsibilities	-----	SCC should retain oversight of reliability of service offered by power marketers, and reserve requirements	-----	

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										for all providers of firm electric generating service.		
<ul style="list-style-type: none"> • Identification and obligations of must-run units. 		Responsibility of ISO; determination should be on basis of reliability considerations, only.	ISOs must identify and dispatch these units. ISO's broader boundaries may result in new designation of such units for each utility.	ISO must identify and coordinate.	-----	ISO must identify and dispatch.	-----	-----	SCC should continue oversight of must-run units until competition eliminates need for price regulation.	Should not be addressed in legislation. Could be incorporated into Virginia public interest standards for ISOs discussed above.	-----	
<ul style="list-style-type: none"> • Minimum ISO size. 		Preference for all Virginia utilities in same ISO with broad geographic dimensions and without transmission constraint between utilities.	No specific minimum size; leave that to evolution of market.	Large, regional ISOs preferred	-----	Large, regional ISOs preferred.	ISOs should be sufficiently large in region to constitute the "region" that would be a regional power exchange.	-----	-----	Should not be addressed in legislation. Could be incorporated into Virginia public interest standards for ISOs discussed above.	Efficient ISOs must cover geographic region larger than Virginia.	
<ul style="list-style-type: none"> • Eminent domain 		SCC to authorize use.	Remains with state and utility. ISO may coordinate, but state through SCC will approve new transmission	Must be retained by utilities and the state.	-----	Exercise in relation to transmission and distribution. Transmission owner could exercise at the	Current legal structure should remain the same.	-----	see comments in 56-583.	SCC to retain authority over eminent domain and condemnation rights for new transmission facilities.	-----	

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			line siting.			direction of an ISO if ISO has clear authority to mandate system additions and improvements.						
56-582; regional power exchanges; miscellaneous comments.		Pricing under RPX should follow these principles: (i) generator/seller gets price it actually bid; and (ii) buyer pays weighted average of bid, i.e., market clearing price.			No immediate need for RPX in light of open transmission access. Such access has created viable wholesale market to service alternative suppliers to serve retail customers.		Need for RPX will depend on the nature of the pertinent ISOs and the areas they cover.		RPXs should be operated as separate entities from ISOs. RPX should function to establish a market clearing price and allow for financial balancing between suppliers, to avoid balancing fees and penalties.	Development should be left to market if there is true open access to T & D facilities and reasonable controls over market power are in place.	-----	
• RPX Conformity to public interest standard		Virginia utility involvement in RPX should be subject to SCC	Legislation should not be overly prescriptive; RPX will evolve based on input from	Roles of state and federal governments should be minimized to avoid	-----	Va. may be able to influence RPX through participation in	-----	Public interest standards should be taken into consideration.	-----	Whether one required is not clear at this time.	-----	

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		approval.	stakeholder and utility regulators.	impeding the operation and benefits of the market.		relevant FERC proceedings , board or advisory board participation, and possibly through generation facility sitings.						
• Bilateral contracts between suppliers and customers.		Yes	HB-1172 does not prohibit.	-----	Yes [by implication]	Yes, they are a necessity for many cooperatives under current federal tax law.	Yes	Should be permitted before and after RPX established	Yes	Yes		
• Whether all sales should be made through RPX		No	Legislation should be flexible to let ISO/RPX systems and policies to evolve.	-----	No [by implication]	No, but all uncommitted capacity should be sold through an RPX.	No apparent position.	No, in a competitive market, sales should be through RPX, bilateral contracts or a combination of the two.	No	No	-----	
• RPX relationship to electric cooperatives and municipal power suppliers		Coops and Munis should be permitted to participate in RPXs	Coops and Munis should be permitted to participate in RPXs	-----	-----	Wholesale power sales between Old Dominion and distribution cooperatives	-----	-----	-----	Should be same as all other providers of distribution services.	-----	

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						through an RPX could affect tax-exempt status of cooperatives .						
<ul style="list-style-type: none"> Pricing of generation from must-run units 		Cost-based with cost to be spread over all grid users.	Need not be addressed by state regulation; FERC will establish rates based on cost and a reasonable return.	Should be priced on a cost of service basis, or in a manner which prevents market power abuse.	-----	Keep prices at cost-of-service if system constraints are affecting dispatch of these units.	-----	-----	Continue SCC oversight of pricing generation from these units until competition eliminates the need for price regulation.	-----	-----	
56-583; transmission and distribution of electric energy.												
<ul style="list-style-type: none"> Equality of treatment between incumbent utilities and new market entrants. 		Equal treatment with regard to rights and responsibilities.	Level playing field for all participants. This could include opening up territorial boundaries, service practices and issues related to facilities.	All energy service providers in state must be subject to a level playing field.	-----	Incumbent utilities and new entrants should be able to arrange delivery under the same terms.	FERC will regulate access to nondiscriminatory transmission service; SCC will regulate availability of distribution service.	Legislation should enable equal access to both transmission and distribution systems.	To minimize inequalities, SCC should scrutinize and make adjustments to the terms of each restructuring plan.	Legislation should direct SCC to develop codes of conduct governing for distribution utility interactions with both affiliated and non-affiliated marketers of generation services. Standards	ISO essential to furnishing comparable access by electric power providers to transmission and distribution systems owned by incumbent utilities.	

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										would address joint marketing of utility and nonutility services, treatment of confidential customer information, etc.		
<ul style="list-style-type: none"> Continuation of eminent domain under SCC oversight. 	<p>Policy issues to consider: (i) eliminate eminent domain for generation? (ii) broaden to include non-traditional transmission service providers? (iii) Available to any entity licensed to sell power? (iv) assign authority over power to SCC, local governing bodies, courts, etc.?</p>	<p>SCC to continue eminent domain authority.</p>	<p>Concur with SCC staff comment to FERC that SCC/state will retain that authority over new transmission facilities after ISOs established.</p>	<p>Eminent domain, along with SCC oversight of transmission line siting should remain with state and utilities.</p>	<p>-----</p>	<p>SCC to oversee eminent domain concerning transmission and distribution rights of way.</p>	<p>Current structure should remain in place, but regional needs must be considered in siting new transmission facilities.</p>	<p>SCC should continue oversight over utility exercise of eminent domain authority.</p>	<p>-----</p>	<p>SCC should continue oversight; authority should be limited to distribution utilities (with several exceptions noted). However, eminent domain authority may need to be extended on case-by-case basis for connecting new power plants to transmission voltage facilities.</p>	<p>-----</p>	
<ul style="list-style-type: none"> Siting of 		<p>SCC to have</p>	<p>Certificate of</p>	<p>Market</p>	<p>-----</p>	<p>State</p>	<p>Current</p>	<p>SCC should</p>	<p>No need for</p>	<p>-----</p>	<p>SCC should</p>	

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merchant plants; role of SCC.		diminished legal authority over authorization of such plants, but retains siting authority vis-à-vis eminent domain exercise.	convenience & necessity should no longer be required; economics should be determining factor. SCC/state/feds should retain siting and environment oversight, however.	forces will determine need for merchant plants; certification authority will likely remain with SCC.		should preserve its authority over plant sitings, but principal focus is on benefit to regional power system. Va. has already shifted in that direction with merchant plant legislation adopted in 1998 session, i.e., amendments to 56-265.2	structure for siting generation (whether merchant plants or other new generation) should remain in place.	have authority over siting, but it will not be necessary for SCC to oversee need and economic aspects of competitive generation facilities.	SCC to oversee the business wisdom of any siting decision.		continue to ensure that sitings are in the public interest; their necessity will no longer require review, since their construction will represent a business risk.	
<ul style="list-style-type: none"> • Preservation of current IOU, cooperative and Muni distribution service territories. 		Existing service territories to remain intact.	Current exclusive distribution territories should be preserved.	-----	-----	Current incumbent distribution territories should be preserved	Territories should be preserved. Muni distribution territories should remain intact unless local governments opt in to retail competition.	Current incumbent distribution territories should be preserved	-----	Preserve existing territories; consolidation a future possibility.	Distribution should remain a monopoly service.	

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<p>56-584. Regulation of rates subject to SCC jurisdiction.</p> <ul style="list-style-type: none"> services subject to regulation, and those subject to competition. 		Transmission charges to be determined by ISO with FERC oversight; SCC determines distribution charges; competitive services set by marketplace ; rates for unbundled services not subject to competition set by SCC.	During transition, supply and generation sole competitive services. Transmission and distribution should remain regulated.	REVIEW AND REVISE. Rates must be initially unbundled during transition period.	At the outset of competition, generation should be deregulated , but transmission and distribution should be regulated. Metering and billing could be considered for competitive service in the future.	Generation should be sole competitive service at the outset of retail competition.	No position, except that until distribution services are opened to competition, they must remain subject to monopoly regulation.	SCC should continue to regulate distribution system construction, maintenance and safety, and should assume regulation for provider of last resort and default provider during transition to total customer choice.	Aside form generation deregulation, unbundling of metering, billing and other related distribution services should occur gradually. SCC to determine on a case-by-case basis.	Generation competitive, Transmission and distribution remain regulated monopoly services; metering, billing and other distribution-related services not competitive immediately, but could be competitive in the future.	Generation aside, distribution services should be opened to greater competition, through bidding subject to adequate regulation to ensure reliability and consumer protection. Energy efficiency and renewable programs will require funding through public benefits surcharges.	All aspects of distribution should continue to be regulated
56-585; licensure of retail electric energy suppliers.	Policy Options: (i) Direct SCC to establish licensing process, applying	SCC to have full authority over licensing, financial responsibility	All potential suppliers to be duly licensed and determined to be able to perform		Supplier authorization may be needed, and registration requirements should be	Potential suppliers should be licensed upon showing of (i) access to	No specific recommendations at this time.	SCC should be responsible for licensing and financial filings. Licensing	Licensing, bonding and service standards necessary to afford customer	Power marketers must be licensed and subject to standards of conduct, and	Licensing should ensure that all customers have access to reliable	All generating companies desiring to do business in the

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	legislative or SCC criteria, (ii) specify criteria for SCC to apply in issuing licenses, or (iii) establish SCC procedures for SCC review and revocation of licenses.	y, and determining practical ability to deliver services.	contracted services.		developed. SCC should require suppliers to post bonds to protect cash flows of local distribution companies in the event of energy imbalances resulting from suppliers fail to provide adequate delivery.	generating facilities (ii) adequate reserves to meet regional reliability standards, (iii) means of power delivery and (iv) financial integrity to meet their objectives.		fees could help pay for public service/education campaign.	protection.	minimum capacity requirements (for marketers of firm generation services). Periodic adequacy demonstrations should be required for each marketer's owned and contracted generation reserves.	and affordable electricity.	Commonwealth should be licensed and bonded.
56-586; suppliers of last resort; default suppliers; backstop providers.	Legislative options: (i) incumbent utility, short- or long-term, (ii) competitive bidding, or (iii) assign customers to competitive retail sellers in proportion to each seller's competitive market	SCC to have authority to determine supplier of last resort and default providers [options offered in submission]; backstop provider service provided via contract, with backup power purchased through RPX.	Incumbent utility should provide these services.	Incumbent local service providers should provide these services.	Distribution utility should be default provider during 5-year transition period; thereafter, customers can choose distribution utility as their generation provider, actively or by default..	Distribution service provider should serve all three roles.	Local distribution entities should be default provider and providers of last resort.	Incumbent utility should be supplier of last resort/backstop provider. Default provider should be incumbent utility during transition, but made competitive (through a bid process) in a fully competitive market.	One entity should furnish all of these services. Should be furnished competitively (see previous submission to task force)	Not necessary to draw distinctions between default providers and suppliers of last resort.	Entities providing distribution services should have universal service obligations (provider of last resort). Default providers should be subject to competitive bidding and randomly assigned.	Incumbent may be default supplier during transition, but in a competitive market, this supplier should be established by random assignment or competitive bidding; Suppliers of last

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	share. Note: Legislature can decide on option, or give SCC discretion, applying legislative criteria.											resort services should be subject to regulated rates.
56-587; Voluntary aggregation permitted.		Voluntary aggregation should be permitted.	Voluntary aggregation should be allowed.	Aggregation should be permitted; AEP's proposed pilot should provide useful information on this issue.	-----	Support. Cooperatives are good illustration of voluntary aggregation.	-----	-----	Support, allows for innovative approaches and flexibility.	Should be permitted without any limitations based on utility service areas, customer class, etc.	Best tool for residential and small business customers; should be specific authorizations for local governments to act as aggregators.	Development of public and/non-profit aggregators for residential and other small consumer groups should be encouraged.
56-588; metering, billing and other distribution services.		Should be made competitive.	Should not be competitive at the outset of retail competition.	Metering, billing and related data management distribution system components should be provided competitively	Should not be competitive prior to full retail access market; could be made competitive in the future.	Should be supplied by distribution provider, and not made competitive service.	Metering, billing and other distribution should remain regulated services.	Customer billing and meter reading should be considered for competitive services.	SCC should be authorized to permit unbundling and deregulation of these services on a case-by-case basis.	Customer billing and meter reading should be considered for competitive services. May not be a candidate for immediate deregulation.	Distribution services should be opened to great competition, typically through bidding rather than through bilateral contracts. Funding	

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											clean and efficient energy must come through public benefits charges.	
56-589; Consumer Protections and customer services; penalties.	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	Strong consumer protection and comprehensive consumer education necessary.
56-590. Public purpose programs.		-----	-----	-----	-----	-----	-----	-----	-----	-----	Advocates public benefits charges for energy efficiency and renewables programs.	Wires charge needed to establish fund for conservation, education and utility assistance for low-income consumers.
56-591. Transition costs and benefits.	Range of options: (i) permitting <i>limited</i> net stranded cost/benefit recovery, as calculated by SCC, (ii)	-----	-----	-----	-----	-----	-----	-----	-----		-----	-----

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	requiring <i>full</i> net stranded cost/benefit recovery, as calculated by the commission, or (iii) directing SCC to determine a just and reasonable level of net stranded cost/benefit recovery, applying General Assembly criteria.											
56-592. Nonbypassable wires charges.		Issue should be handled in Stranded costs task force.	Appropriate mechanism for collecting stranded costs and other transition charges in a competitive environment.	An appropriate means of recovering costs associated with certain transition issues, e.g., regulatory assets, public purpose programs, etc.	Appropriate mechanism for stranded cost recovery.	Wires charges are most efficient and consistent method of collecting these various costs.	Dependent on recommendations of stranded costs task force.	A competitively neutral non-bypassable surcharge on all distribution customers is appropriate, subject to limitations, e.g., providers should provide sales price information to the SCC	Support, but customers should be given buy-out option so that innovative approaches like distributed generation can be appropriately valued.	Offers three principles for stranded cost recovery (i) no stranded cost surcharges unless a customer's rates have been unbundled and he is free to choose an alternative generation supplier; (ii) no current retail	Support. Should be nonbypassable to avoid cost-shifting.	Residential and small business consumers should not pay a disproportionate share of any pro rata surcharges for stranded cost recovery, etc.

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								during transition re: stranded costs recovery.		customer of a utility should be permitted to escape such charges, and stranded costs and (iii) stranded benefits must be reciprocal.		
56-593. Divestitures; functional separation and other corporate relationships.	General policy options: (i) deregulate generation assets by date certain and rely on FERC, ISO or U.S. Justice Department to monitor and mitigate market power abuse, (ii) encourage or require divestiture and maintain state regulatory jurisdiction over must-run units (or rely on FERC to											

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	regulate those units, or (iii) initiate customer choice and foster competitive market organizations and infrastructure.											
<ul style="list-style-type: none"> Divestiture to create a competitive generation market. 		Should not be mandated or prohibited. SCC should have authority, however, to mandate divestiture for purpose of (i) resolving market power issues or (ii) determining stranded costs.	Requiring or prohibiting divestiture is not appropriate.	Divestiture should not be mandated.	Mandatory divestiture of corporate assets is neither necessary nor acceptable.	Not favored. In fact, cooperatives oppose permissive divestiture in a constrained market. Such sales should be permitted only at or below book value.	Divestiture should be viewed as an option, available to prevent the emergence of unregulated monopolists.	-----	Voluntary divestiture only, but legislation and regulation should provide incentives to do so.	Utilities should be provided incentives for generation divestiture.	Favor divestiture. Could be accomplished by providing incentives to divest, e.g., conditioning some stranded cost recovery on divestiture.	SCC should have authority to mandate divestiture if required to address market power and bring about true competition.
<ul style="list-style-type: none"> Functional separation of generation and distribution. 		Generation, transmission and distribution should be functionally	An appropriate issue for legislation; will probably occur	-----	-----	Support functional separation.	If permitted, SCC oversight essential to ensure	-----	-----	-----	-----	

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		separated.	naturally as a by-product of deregulating generation and establishing ISOs and RPXs.				effectiveness, and prevent cost-shifting. FERC may need to undertake this role, as well.					
<ul style="list-style-type: none"> Relationships between suppliers or distributors and their affiliates. 	Policy options: (i) restrict related entities' transactions in common markets, or (ii) establish fair competition principles to be enforced by SCC.	Codes of conduct for affiliate transactions recommended.	Functional separation should adequately address any potential problems.	Codes of conduct should be prescribed to insure against discriminatory treatment or subsidization between affiliates.	Support development of Codes of Conduct governing relationships between distribution entities and affiliated and non-affiliated electricity suppliers.	Do not oppose Codes of Conduct, but believe that cooperatives are under sufficiently close regulatory scrutiny, thereby eliminating need for elaborate code of conduct for cooperatives.	Codes of Conduct concerning functional separation with companies are generally not effective (in MEPAV members' experience).	-----	Code of conduct should regulate these relationships, but only to the extent necessary to prevent cross-subsidization and prevent flow of customer information from utilities to affiliated marketers.	Support codes of conduct to address these relationships.	Support strict rules barring certain transactions between affiliated generation, transmission and distribution companies.	
<ul style="list-style-type: none"> Mergers and acquisitions 		-----	Current regulatory oversight of mergers (e.g., SCC, FERC, NRC, Attorney	-----	-----	No moratorium on M & As recommended at this time, but each such	Must be scrutinized.	-----	Inevitable, but may require new regulatory approaches to addressing	Address on a case-by-case basis, giving consideration to development and operation	-----	

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			General, and Justice Department) provides protection of public interest.			proposed transaction must be closely scrutinized.			vertical and horizontal market power.	of competitive generation markets.		
56-594. Legislative Transition Task Force.		Continue joint subcommittee as legislative policy oversight entity.	Supports such a task force during transition to competitive industry.	Legislature should continue oversight after restructuring legislation adopted.	-----	Continue joint subcommittee as legislative policy oversight entity.	Supports such a task force to work collaboratively with the SCC.	-----	SCC should periodically brief General Assembly on progress in customer choice, unbundling and deregulation.	-----	-----	
Market Power												
<ul style="list-style-type: none"> Mitigating market power associated with existing generation. 		Allow and encourage construction of merchant plants and distributed generation.	Such market power will be mitigated through (i) FERC oversight of market-based wholesale prices, and (ii) anticipated influx of merchant plants	Market forces will drive additions to generation supply in response to price signals in the market.	-----	Generation in constrained areas should be sold only under regulated, cost of service rates.	-----	Comprehensive study suggested to examine possible divestiture, structural separation, and codes of conduct governing affiliates.	-----	-----	-----	Unless the market power issue is addressed, true competition will not occur; regulation must remain in place until such time as the General Assembly and the SCC

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												determine that competition has been effective.
<ul style="list-style-type: none"> Market power impact of existing generation sites as candidates for new incremental generation 		Encourage construction of merchant plants and distributed generation.	Va. Power and other IOUs do not own all possible sites for new generation—NUGs also have existing generation sites that could be expanded. Other sites may be suitable for constructing merchant plants.	-----	-----	Issue is problematic, but state could develop licensing scheme for unused space at existing generation sites	-----	see above	-----	SCC should ensure that utilities and affiliates are not provided unfair market advantage due to ownership of or access to favorably-situated or cost-effective sites.	-----	
<ul style="list-style-type: none"> Competitive advantages associated with ownership of SO₂ allowances and the ability to generate NO_x off-sets necessary to build generation in non-attainment areas. 		Suggests that this issue is before the Consumer, Environment and Education task force.	Prospective entrants can currently purchase SO ₂ allowances in a nationwide trading market.	No market power advantage is expected to accrue through such ownerships or abilities.	-----	SO ₂ allowances can be purchased in market at reasonable prices. NO _x off-sets not readily available. One solution: state could establish an	-----	See above	-----	-----	-----	

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						NO _x off-set bank similar to those in Maryland and Delaware.						
<ul style="list-style-type: none"> Competition for default services 		-----	Incumbent utility should be default provider.	Incumbent utility should be default provider.	After end of 5-year transition period (in which distribution utility is default supplier), incumbents will have option of choosing, directly or by default, their incumbent distribution utility as their generation supplier.	Distribution service providers should be default suppliers	Incumbent utility should be default provider.	Should be made competitive after transition complete.	In previous submission, CNG indicates that this service should be furnished competitively.	-----	Should be provided competitively, and randomly assigned.	
<ul style="list-style-type: none"> Implications of long-term contracts between incumbent utilities and existing customers prior to commencement of retail competition 		-----	Va. Power's long-term contracts are principally with cooperatives (wholesale) and localities (retail). Contracts are	AEP supports the viability of existing contracts.	Special contracts between incumbent utilities and large commercial/ industrial customers should be	Existing long-term retail electric contracts should be honored through the commencement of retail	-----	-----	-----	-----	-----	

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			actually short term. There are also long-term contracts for recovery of excess distribution facilities		honored until their contract terms allow for expiration.	competition.						
<u>Miscellaneous comments.</u>	--SCC concerned about generation sufficiency (capacity) in a competitive market, citing June wholesale power price spikes. --SCC also suggests the potential need for legislation clarifying SCC authority to review and condition the use and transfer of nuclear generation units in a competitive market.						-----			Customers should have option of purchasing competitively-bid default generation services (see 6/15 submission)	Five steps critical to market power elimination: 1. Independent governance and operation of transmission system, 2. Reserve Capacity must be bid. 3. Divestiture of generation and use of ISO. 4. Comparable environmental standards for all generation. 5. Stranded cost recovery	

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											must not be permitted to subsidize uneconomic plants.	
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