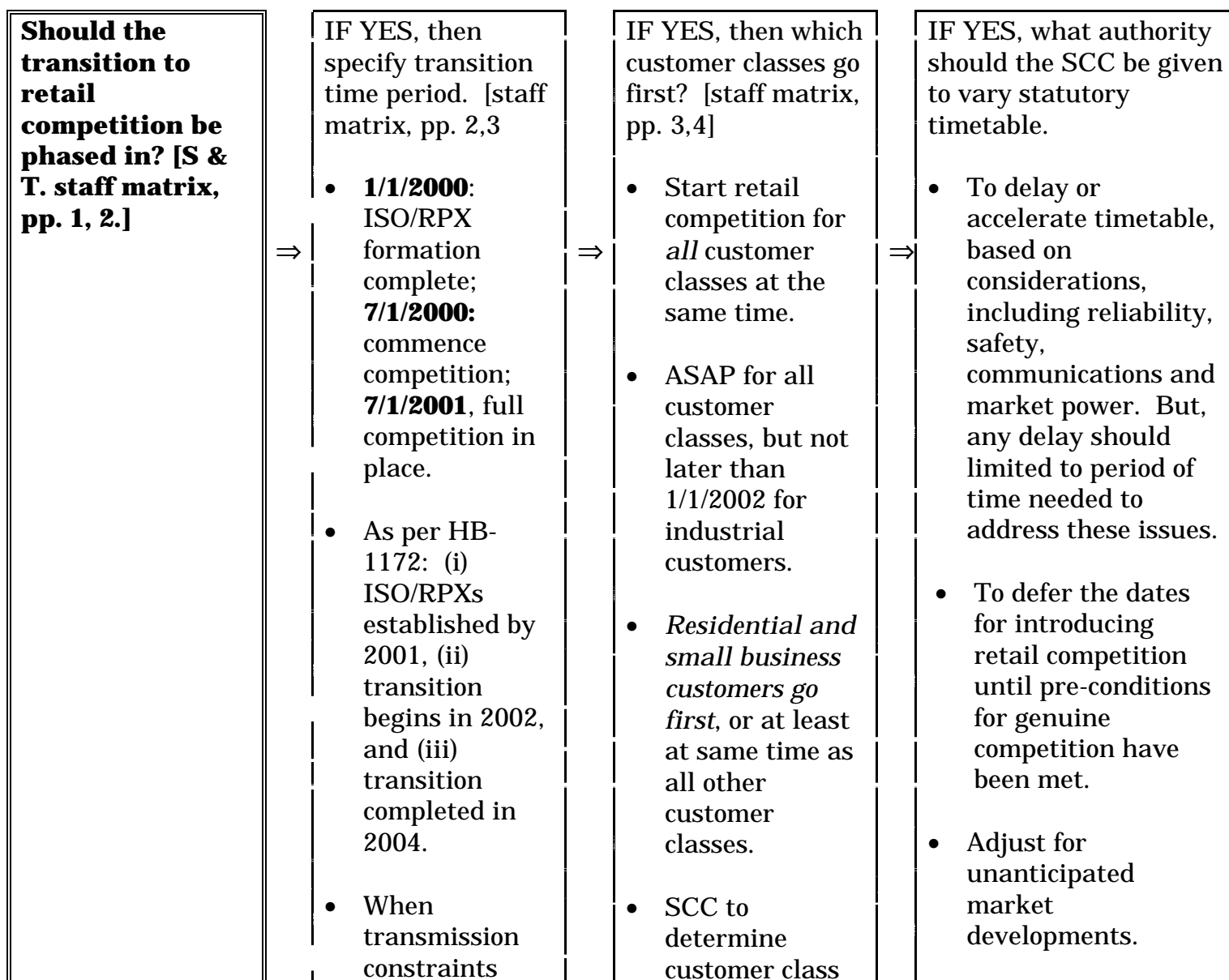
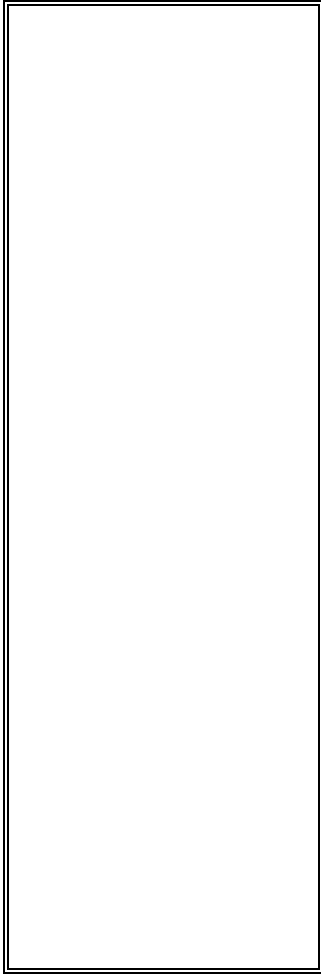


## Decision Tree Structure & Transition

### The Transition to Retail Competition Staff Outline § 56-579—56-582

#### § 56-579. Schedule for transition to retail competition; Commission Authority.



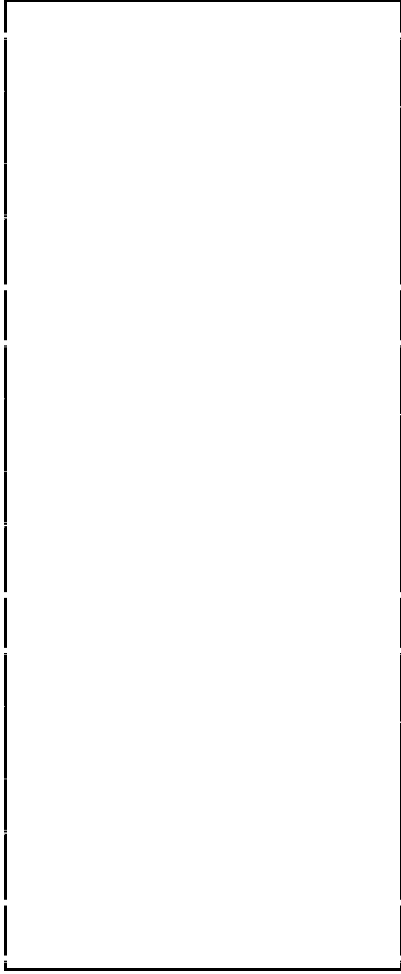


eliminated or price regulation imposed in place for constrained areas.

- SCC to determine timetable, subject to legislative guidelines.
- 1-2 year unbundling period, followed by 4-5 year transition period in which rates would be capped.

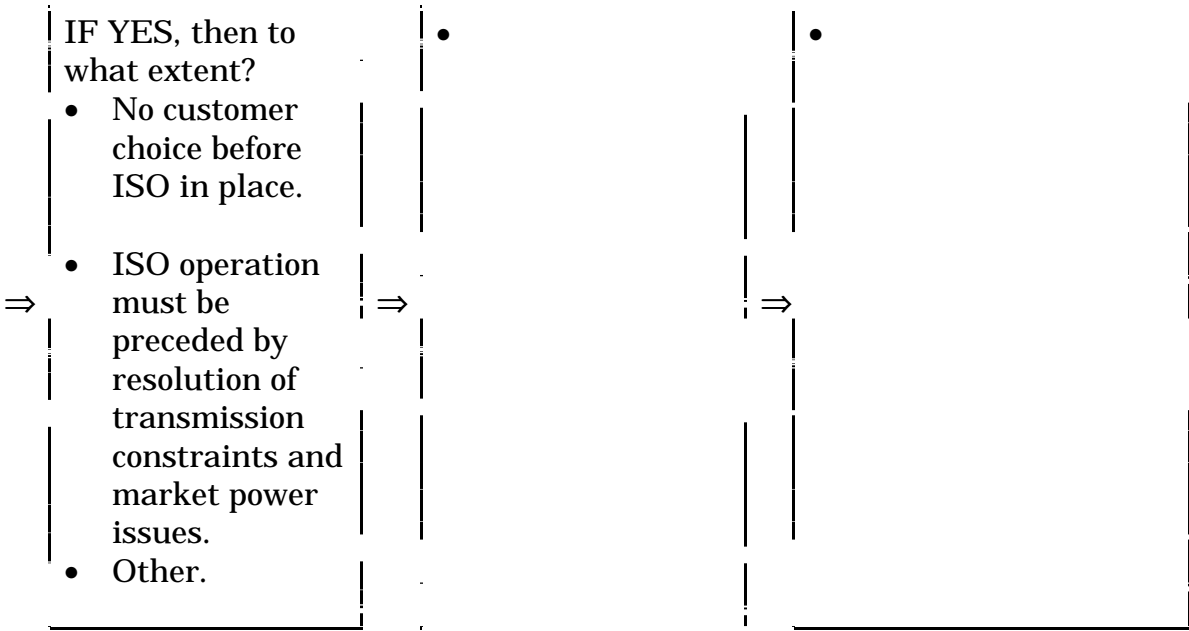
phase-in.

- Phase in through pilot programs with equal percentages of *all* customer classes.
- Equal percentages of each customer classes' loads should begin retail competition simultaneously.
- Phase in customers over three years using a subscription method.



NO, retail competition begins for all customer classes, and for all purposes on a date certain.

**Should the commencement of retail competition be made contingent upon Virginia utilities participation in ISOs [S. & T. Staff matrix, pp. 4, 5.]**



NO

**Should the SCC examine utilities' current rates before the commencement of retail competition? [S. & T. staff matrix, pg. 5]**

⇒

IF YES, then how:

- Utilities can file rate cases under current statutes prior to the transition to competition.
- Mandatory baseline rate cases to (i) establish base rates for transmission, distribution, and other services that will remain regulated after retail competition for generation begins, and (ii) unbundle generation rates for competitive purposes..
- Preliminary cost of service studies.
- Informational unbundling.
- Other.

⇒

IF YES, then when:

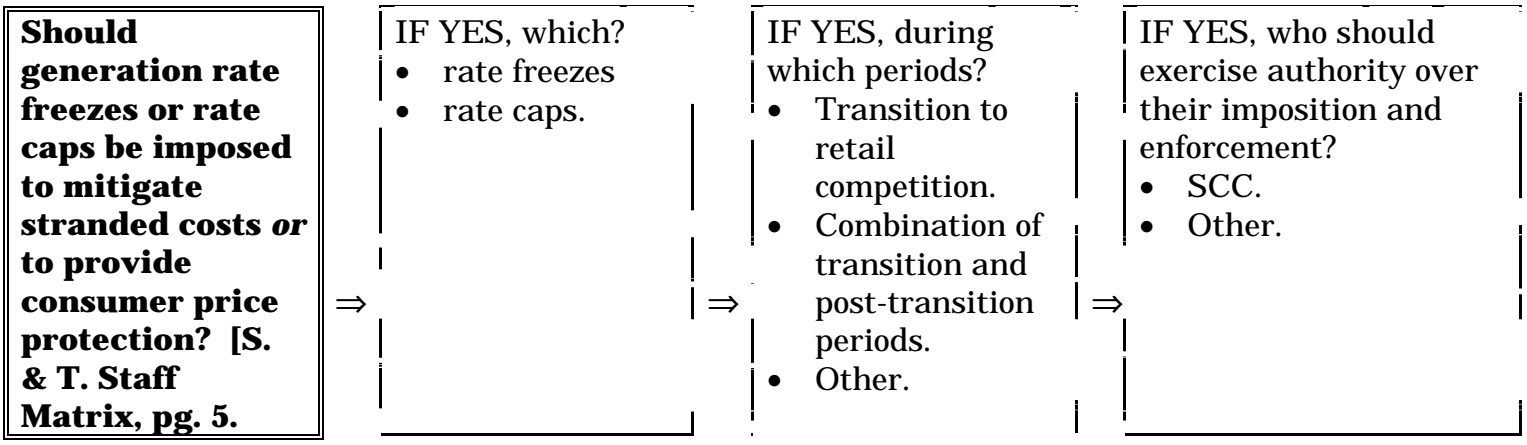
- Substantial lead time needed, in any event..
- Other

⇒

- 



NO



NO

**Should pilot programs be incorporated into Virginia's transition to retail competition? [S & T Staff Matrix, pg. 7]**



IF YES, under what authority?

- Existing statutes & regulation administered by SCC (no need for new legislation on this issue).
- New statutory scheme in restructuring bill.
- Combination of the above.
- Other.



IF PILOTS INCLUDED IN RESTRUCTURING BILL, HOW SHOULD PILOTS BE CONDUCTED:

- Large-scale pilots overseen by SCC.
- Pilots for residential and small business customers, emphasizing emissions disclosures.
- Emphasis on date development; deemphasis on pricing information.
- Other.

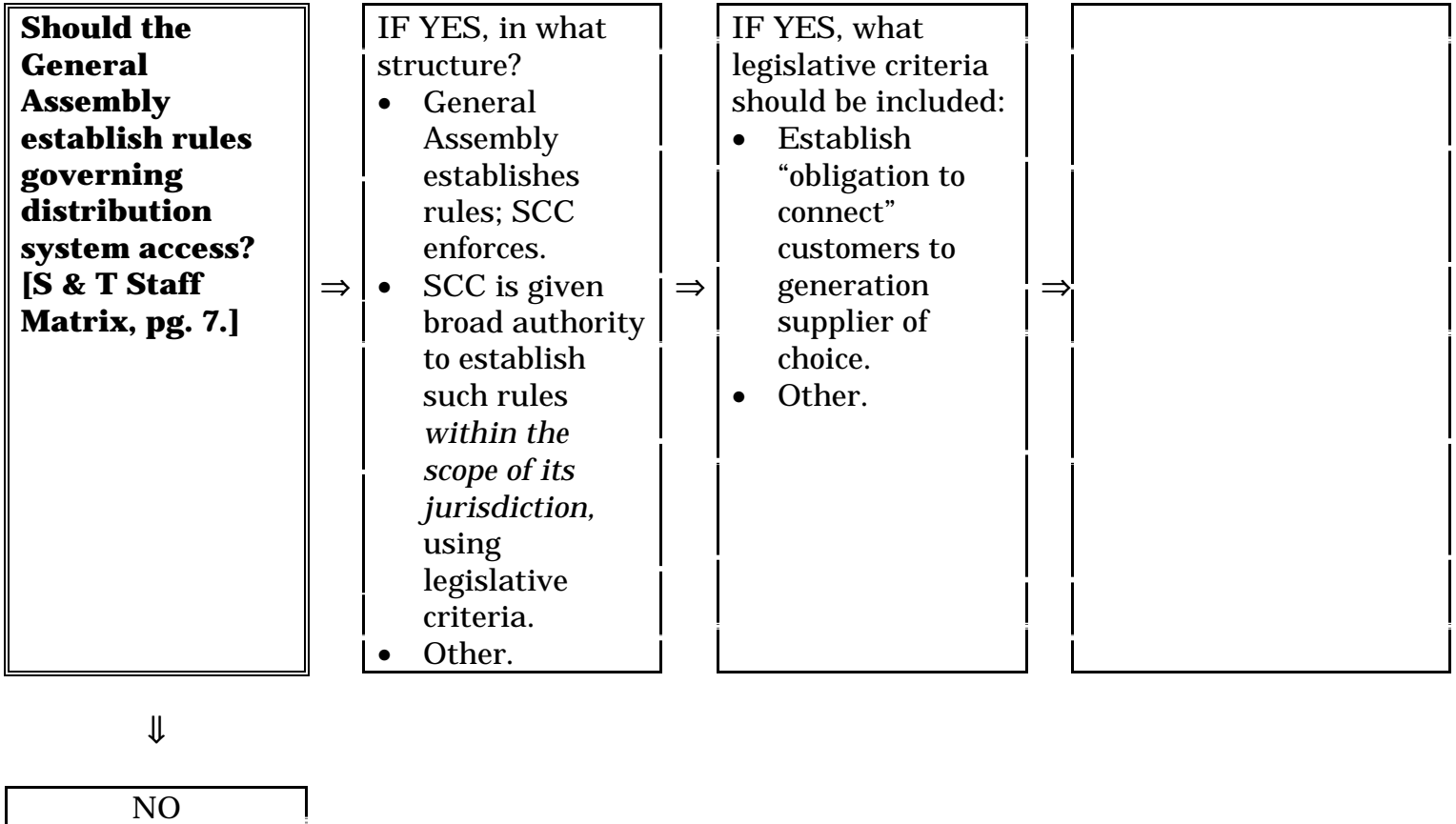


- 



NO

**§ 56-580. Nondiscriminatory access to transmission and distribution system.**

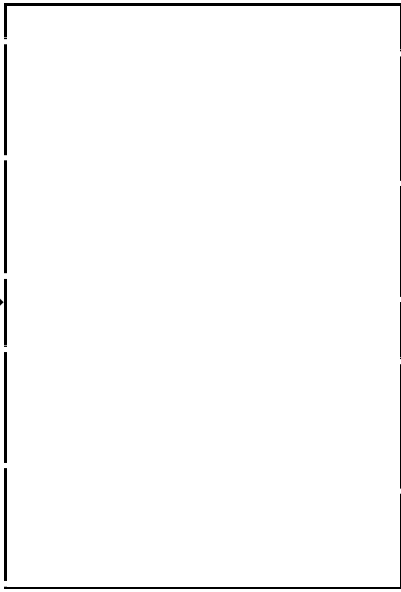
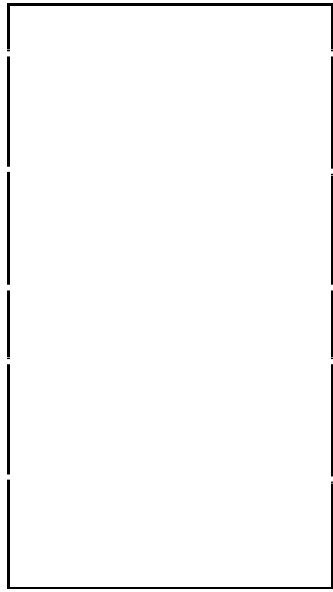


**For purposes of nondiscriminatory access to incumbent utilities' transmission/distribution system, should the restructuring bill address transmission import constraints? [S & T Staff Matrix, pg. 8]**



IF YES, how?

- Require incumbent utilities to divest transmission and distribution systems.
- Limit rates to cost-of-service until constraints relieved.
- Other.



NO, FERC will regulate transmission; SCC will regulate distribution. Issue will probably be addressed by ISOs, subject to FERC oversight.



**§ 56-581. Independent System Operators; roles and functions.**

**Should Virginia establish criteria ISOs must meet concerning their governing boards, before permitting incumbent utilities to join them? [S & T Staff Matrix, pg. 10].**

⇒

IF YES, WHICH ONES?

- Majority of board should have no financial stake in any ISO-controlled entity.
- Board must be balanced between transmission-owning entities and other stakeholders.
- Residential consumers should be on the governing board of any ISO.
- Environmental interests must be represented on board.
- If stakeholder board used, stakeholders must have an actual role in ISO governance.
- Other.

⇒

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NO

**Should Virginia establish public interest standards ISOs must meet before permitting incumbent utilities to join them? [S & T Staff Matrix, pg. 10.]**



IF YES, which ones?

- Give SCC authority to approve ISO participation on case-by-case basis, scrutinizing reliability, transmission constraints, and market power.
- SCC can develop criteria.
- Establish Virginia prototype ISO board to establish public interest criteria.
- Address minimum ISO size. (matrix, pg. 11).



•



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NO

**Should the SCC retain any oversight of Virginia incumbent utilities participation in ISOs after incumbents join them? [S & T Staff Matrix, pg. 10.]**

⇒

IF YES, to what extent?

- SCC can intervene in FERC proceedings concerning such ISOs.
- SCC can assert influence through its authority over transmission line siting.
- SCC should have authority to determine whether a utility may continue in an ISO when an ISO's structure or operation changes.
- SCC should have rate regulation authority over "must run" units until competition eliminates needs for price regulation (matrix, pg. 11. 14)
- Other.

⇒

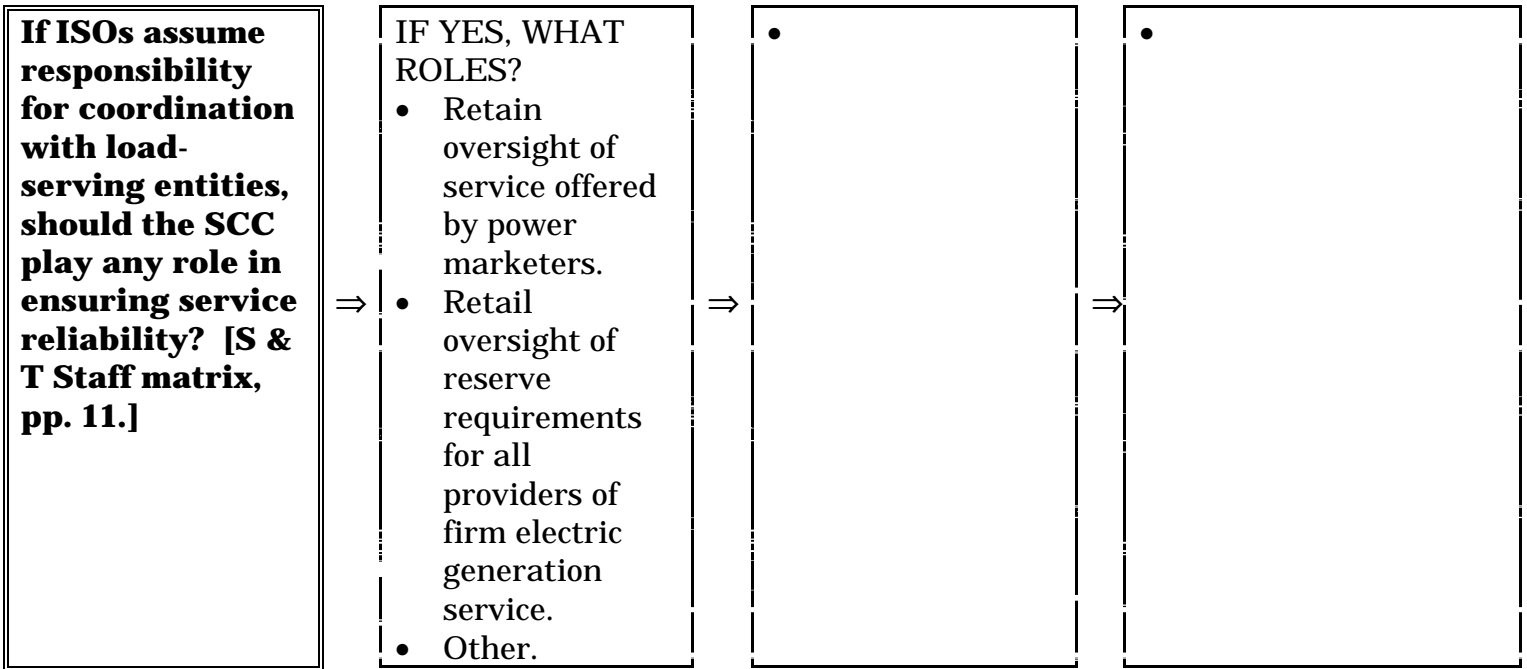
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NO



NO

**If incumbent utilities' transmission assets are subject to ISO control and FERC oversight, should Virginia's laws governing eminent domain and rights of condemnation be modified to reflect that development? [Staff matrix pg. 12, 15]**



IF YES, how?

- Permit transmission owner to exercise *at the direction of an ISO*.
- Continue to apply current law to transmission and distribution; after transition to competition, however, treat future generation as any other new manufacturing facility.
- Keep current structure in place, but consider regional needs in siting.
- Other.



NO

## **§ 56-582. Regional Power Exchanges.**

**Should Virginia's restructuring bill mandate power suppliers' participation in an RPX? [S & T Staff Matrix, pg. 12]**

⇒

IF YES, what RPX-related issues could/should be addressed in legislation:

- Whether RPX should conform to a public interest standard (matrix, pg. 12)
- Whether bilateral contracts should be permitted between suppliers and customers; RPX use not mandatory (matrix, pg. 13).
- Whether the SCC should be directed to closely monitor RPX operations, and exert influence over these operations.
- Whether the participation by electric cooperatives and municipal power suppliers should be optional (matrix, pg. 14)
- Other.

⇒

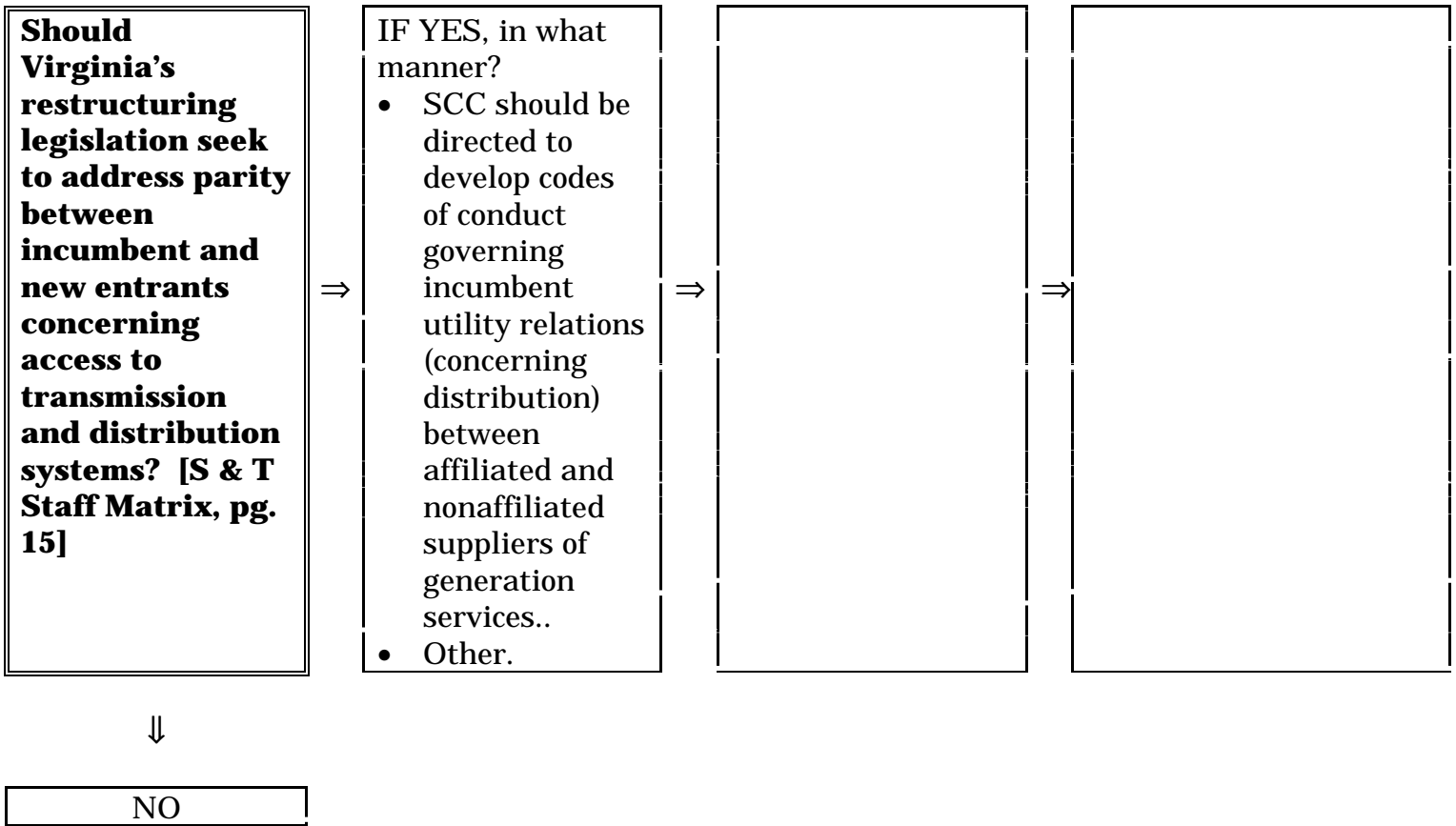
⇒

⇓

NO

**Decision Tree**  
**Structure & Transition**  
  
**Regulation of Generation and**  
**Distribution: §§ 56-583—56-588**

**§ 56-583. Transmission and Distribution of Electric Energy.**

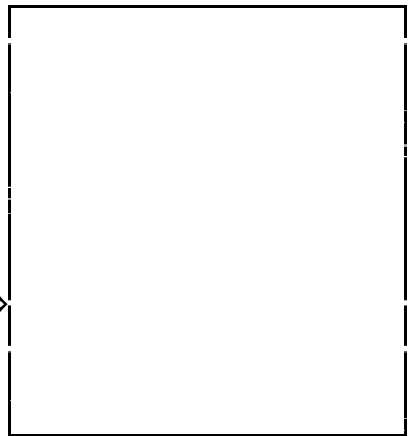
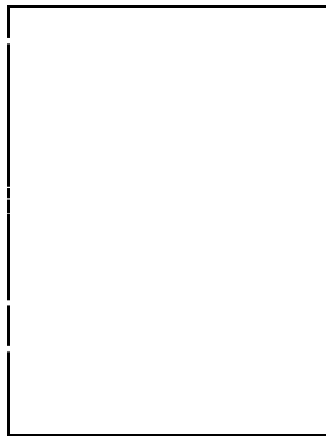


**How should restructuring legislation address siting of merchant plants in a competitive market? [S & T Matrix, pp. 16, 17]**

- 



- SCC to retain siting authority
- SCC-issued Certificate of convenience and necessity should no longer be required.





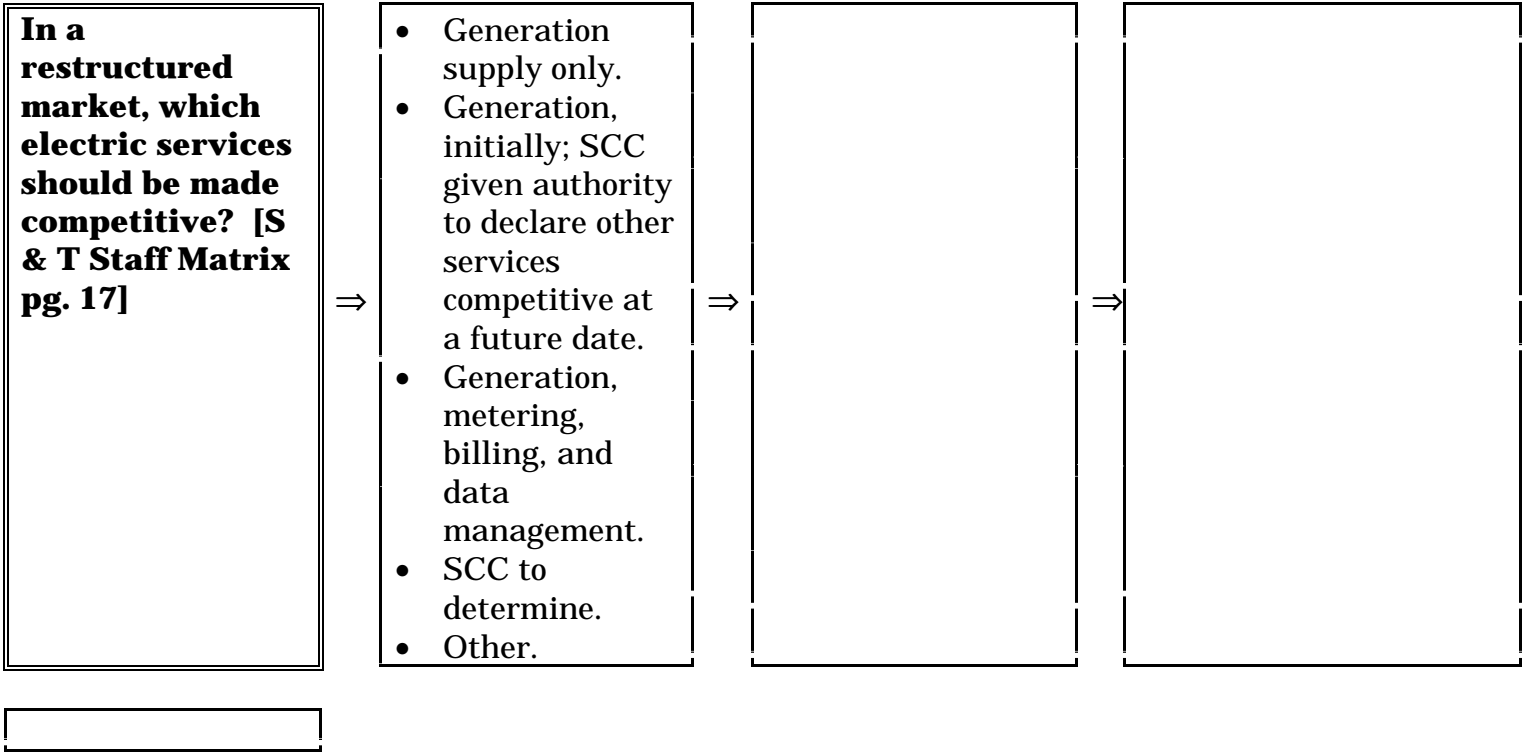
**How should existing IOU, cooperative and Municipal Power System Distribution System Service territories be preserved in a restructured market? [S & T Staff Matrix, pg. 17]**



- Incumbents' distribution service preserved as regulated services.
- Municipal power systems' geographic service territories remain intact, *unless* the local government opts into a competitive market.
- Consider possible consolidation in the future.



**§ 56-584. Regulation of rates subject to SCC jurisdiction.**



**§ 56-585. Licensure of retail electric energy suppliers.**

**What licensing and financial standards should be applied to suppliers of electricity in Virginia following restructuring? [S & T Staff Matrix, pp. 18, 19.]**

⇒

- SCC to have full authority over licensing, financial, technical and other requirements.
- Suppliers should post bonds to ensure performance.
- Suppliers should be required to prove access to generation.
- Suppliers should be required to prove access to adequate reserves.
- Suppliers should be required to meet minimum market conduct standards.
- Suppliers should be required to prove financial responsibility.
- Have SCC establish and enforce these standards.
- Other.

⇒

⇒

**§ 56-586. Suppliers of last resort, default suppliers, and backstop providers.**

**Who should provide default, supplier of last resort, and emergency, or backstop service in a restructured market? [S & T Staff Matrix, pg. 19]**

⇒

- Incumbent utilities should provide all three.
- Distribution utilities should provide all three during transition period, then services could be made competitive.
- Distribution entity should have supplier of last resort function; default providers should be established competitively.
- One entity should provide all of these services; should be established competitively.
- SCC should designate providers of last resort.
- Other.

⇒

⇒

**§ 56-587. Voluntary Aggregation permitted [see Consumer, Environment & Education decision tree].**

**§ 56-588. Metering, billing and other distribution Services [addressed above in § 56-584].**

**§ 56-589. Consumer Protections and customer service; penalties [see Consumer, Environment & Education decision tree].**

**§ 56-590. Public purpose programs [see Consumer, Environment & Education decision tree].**

**§ 56-590.1. Environment. [see Consumer, Environment & Education decision tree].**

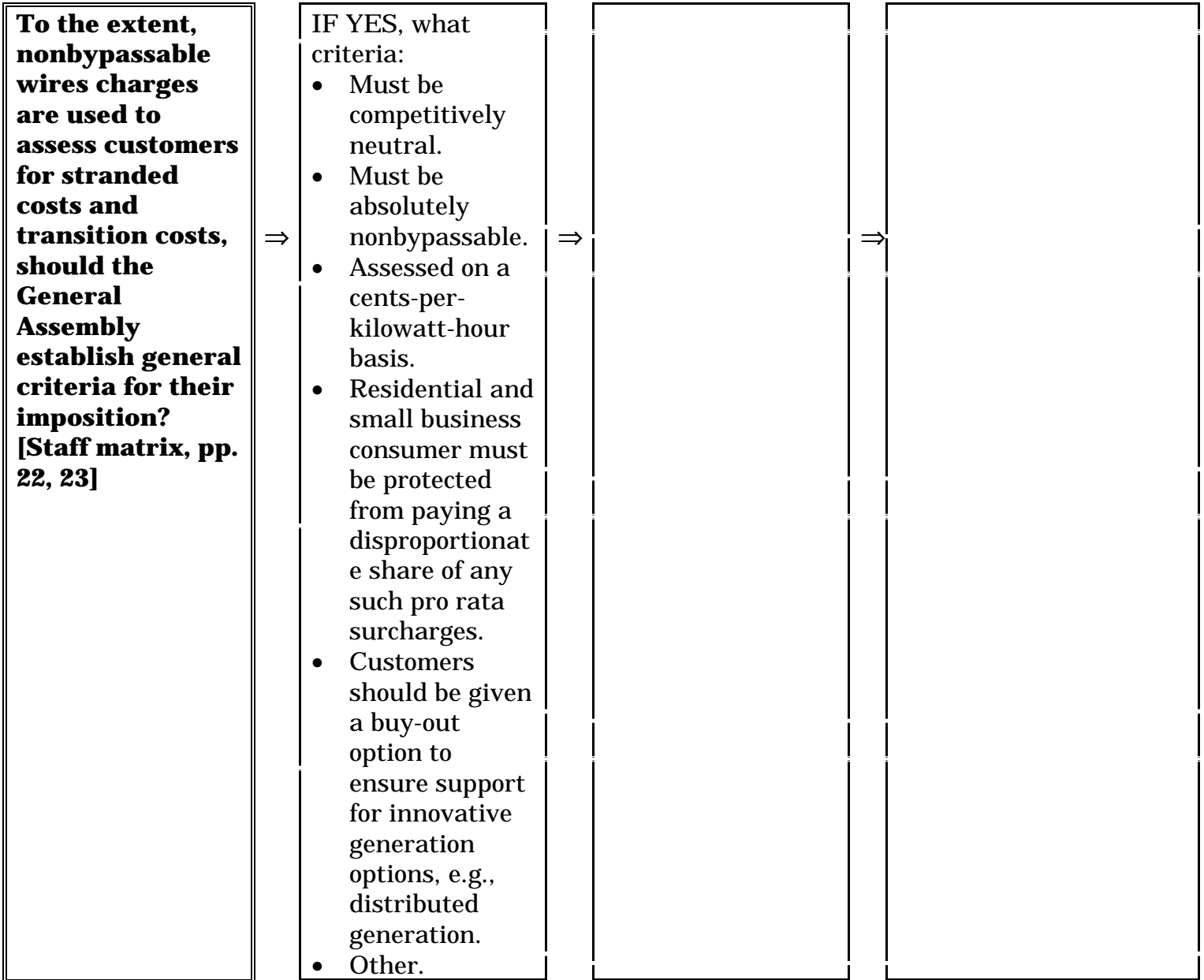
**§ 56-590.2. Energy Efficiency. [see Consumer, Environment & Education decision tree].**

**§ 56-590.3. Utility Worker protection. [See Consumer, Environment & Education decision tree].**

**§ 56-591. Transition Costs [developed on a per-issue basis].**

**§ 56-591.1. Stranded Costs. [see Stranded Costs decision tree].**

**§ 56-592. Nonbypassable wires charges.**

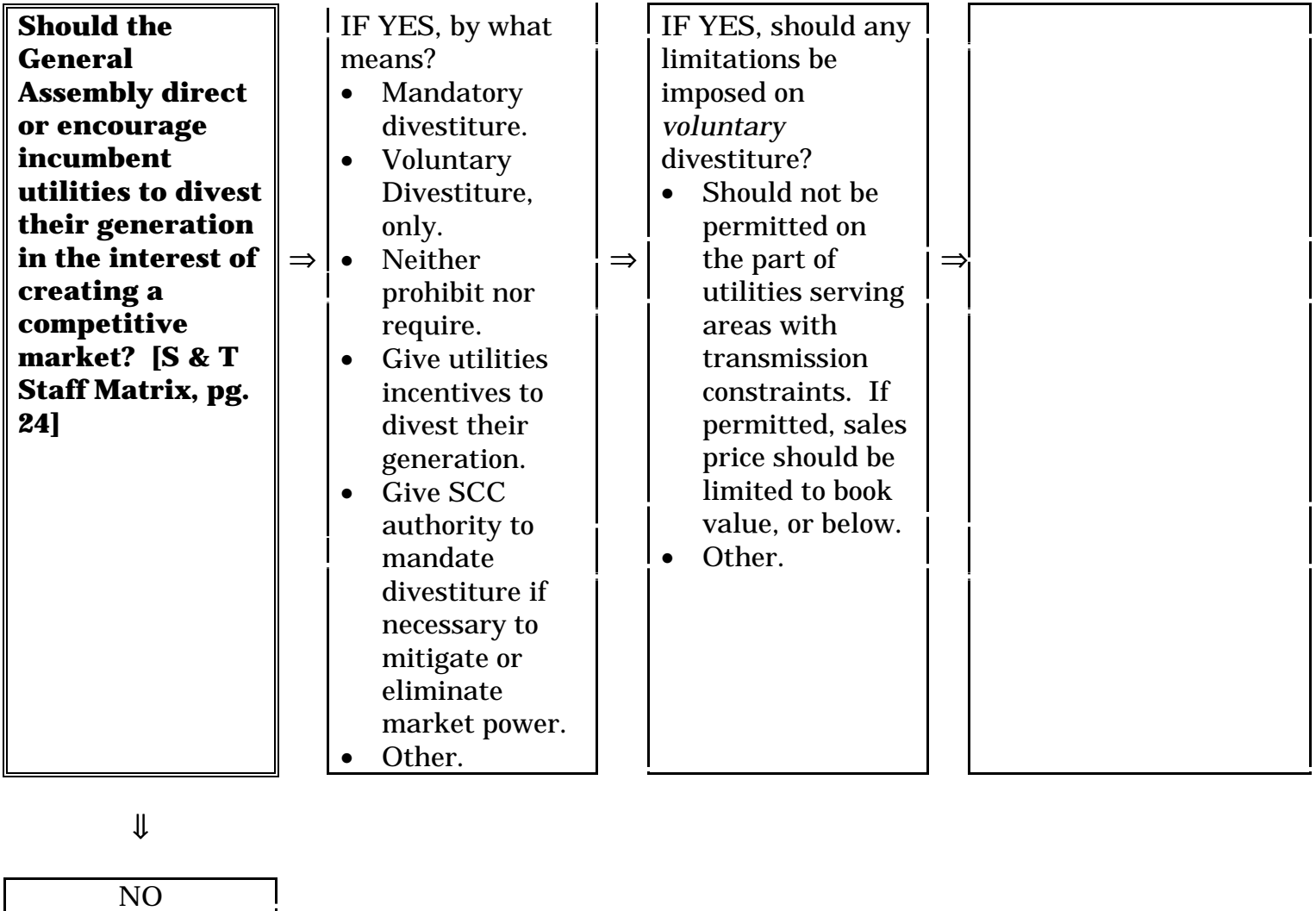


NO

**Decision Tree  
Structure & Transition**

**Market Power  
Staff Outline § 56-593.**

**§ 56-593. Divestitures, functional separation and other corporate relationships.**



**Should the General Assembly direct the functional separation of generation and distribution? [S & T Staff Matrix, pg. 25.]**



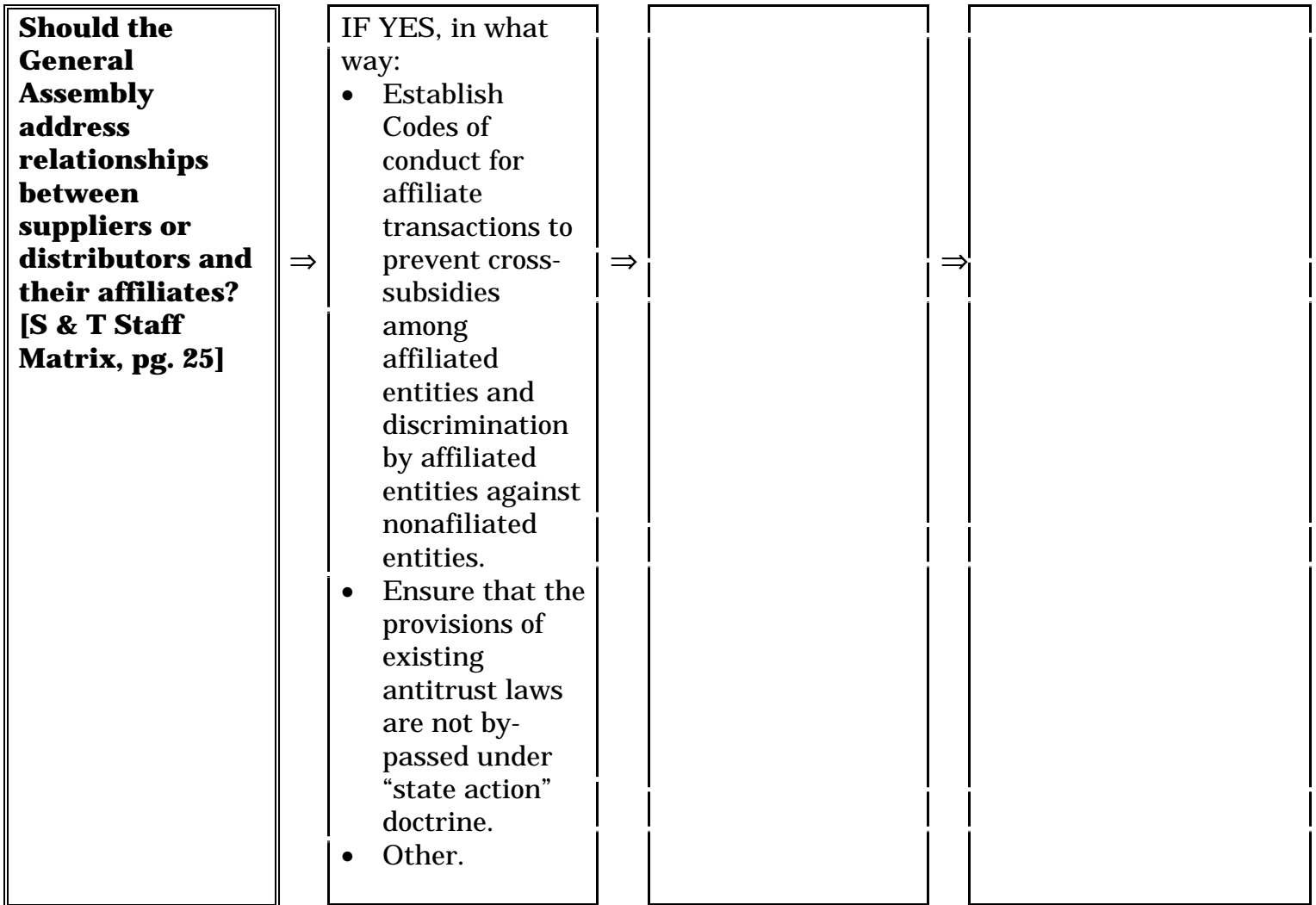
IF YES, how?

- Require utilities to restructure into generation, transmission and distribution units.
- Prohibit cost-shifting between functionally separate units.
- Prohibit the functionally restructured entities from engaging in anticompetitive behavior, or self-dealing.
- Establish codes of conduct to address relations between functionally separate units.
- Other.



NO





NO

**How should the General Assembly address the trend toward mergers and acquisitions in the electric utility industry, as part of Virginia's restructuring? [S & T Staff Matrix, pg. 25]**



- Impose no moratorium, at this time.
- Rely on current oversight structure, e.g., SCC, FERC, NERC, Attorney General, U.S. Justice Department.
- Encourage state and federal regulators to examine market power levels likely to develop in connection with proposed M & As.
- Other.



**Should the General Assembly adopt legislation seeking to mitigate potential market power associated with existing generation? [S & T Staff Matrix, pp. 26, 27]**



- IF YES, how?
- Encourage construction of merchant plants.
  - Encourage construction of distributed generation.
  - Regulate rates of generation sold in transmission-constrained areas.
  - Authorize the SCC to order divestiture (discussed in 56-593)
  - Develop licensing scheme for unused space at existing generation sites (staff matrix, pg. 27)
  - SCC to monitor potential market power associated with the development of incremental generation at existing generation sites. (staff matrix, pg. 27)
  - Other.



NO

**Should the General Assembly address potential market power associated with incumbent utility ownership of SO<sub>2</sub> and related allowances? [S & T Staff Matrix, pp. 27, 28]**



IF YES, how?

- Establish NO<sub>x</sub> off-set banks similar to those in Maryland and Delaware.
- Other.



NO

**Decision Tree  
Structure & Transition  
Other provisions**

**§ 56-594. Legislative Transition Task Force established.**

