

Restructuring Issue	SCC	ALERT	Va. Committee	Va.Pwr.	AEP-Va.	Allegheny	Co-ops.	MEPAV	Wash. Gas	CNG	AOBA	SELC	VCAP	AARP
<b>56-578; Municipalities; applicability.</b>		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.	<u>Municipalities should determine whether they want to participate in a competitive electric marketplace. However, if they do decide to participate, they should be required to allow their customers to have a choice of electric supplier.</u>
<b>56-579; Schedule for transition;</b>	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 deadlines, and (iii) maintaining protective measures, e.g., regulated rates, until competition is an effective regulator to protect consumers.					<u>Three year phase-in. Five year rate freeze corresponding to length of CTC recovery.</u>								
• Timetable		<b>1/1/2000:</b> ISO/RPX	<u>Customer choice for all</u>	As established	No set dates; 2002	No date specified;	Should begin when	No timetable	<del>4</del> 3/1/99: enrollment	As soon as practicable	SCC should determine	-----		<u>SCC should maintain</u>

Restructuring Issue	SCC	ALERT	Va. Committee	Va.Pwr.	AEP-Va.	Allegheny	Co-ops.	MEPAV	Wash. Gas	CNG	AOBA	SELC	VCAP	AARP
		formation complete; <b>7/1/2000:</b> commence competition; <b>7/1/2001:</b> full competition in place.	<u>classes should begin as soon as practical, but for industrial customers, no later than January 1, 2002.</u>	by HBI-1172: <b>1/1/2001:</b> ISO/RPX in place; <b>1/1/2002:</b> transition begins; <b>1/1/2004:</b> full retail competition.	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.	<u>Five-year transition period recommended Supports HB 1172 1/1/2002 date for start of 5 year transition and 3-year phase-in periods.</u>	ISO/RPOX in place and transmission constraints eliminated or appropriate price controls (related to transmission constraints) are in place.	specified. SCC could set timetable for jurisdictional utilities. <u>Should not begin until an independent and fully functional ISO is in place.</u>	for year 1 of a pilot phase; <b>4/3/1/200:</b> enrollment in year 2 of pilot phase coinciding with functional ISO/RPX		subject to legislative guidelines. Legislative guidelines should not establish a fixed time schedule for retail competition.			<u>oversight over the electric utility industry in total until there is effective competition for service.</u>
<ul style="list-style-type: none"> <li>Phase-in by customer class, or concurrent commencement for all customer classes.</li> </ul>		1/3 of each customer class (industrial, residential, commercial) by 7/1/2000, then 100% of all classes by 7/1/2001.	<u>Customer choice for all classes should begin as soon as practical, but for industrial customers, no later than January 1, 2002.</u>	Phase in by customer class; Industrials in 2002; commercial in 2003; residential in 2004.	No customer class should be advantaged or disadvantaged during phase-in.	All classes of customers can choose alternative supplier during 3-year phase-in—customers to be selected on subscription or lottery basis.	Concurrent commencement of competition for all customer classes.	Phase-in approach may be best.	Phase in through pilots with <u>equal</u> percentages of <u>all</u> customer classes.	SCC should determine whether phase-in is appropriate. If phase-in, customers should be permitted to subscribe on first-come-first served basis.	SCC to determine (see above).	All customers simultaneously	Residential and small business customers must go first, or concurrently with all other customer classes.	<u>Phased-in access to competition, with an equal percentage of the load for each customer class gaining access simultaneously.</u>
<ul style="list-style-type: none"> <li>Linkage between ISO/RPX readiness and retail competition</li> </ul>		<b>Yes,</b> ISO/RPX readiness by 7/1/2000; retail competition for 1/3 of all customer classes.	<u>No. An operational ISO is not necessary for the implementation of customer choice for industrial customers and the legislation should not</u>	<b>Yes,</b> as per HB-1172	<b>Yes</b>	<b>No</b>	Yes, but ISO/RPX operation must be preceded by resolution of transmission constraints and other market power issues.	<b>Yes. FERC 11 principles are important.</b>	Proposed Pilot start-ups in 1999 should not be delayed due to delays in establishing ISO/RPX.	<b>No,</b> but SCC oversight should continue pending development of fully competitive market.	Pilot programs could stimulate early ISO/RPX completions.	ISO/RPX essential to competition.		

Restructuring Issue	SCC	ALERT	Va. Committee	Va.Pwr.	AEP-Va.	Allegheny	Co-ops.	MEPAV	Wash. Gas	CNG	AOBA	SELC	VCAP	AARP
			<u>establish an RPX.</u>											
• Linkage between retail competition in Va., and in other states served by same regional ISOs		<b>No</b>		<b>No</b>	-----	NO	<b>No</b>	No position taken, except that Virginia should not rush into retail competition even if neighboring states served by ISOs serving Virginia begun retail competition.	General Assembly should inform neighboring states that Va. intends to have a fully functional ISO by a date certain	<b>No</b>	<b>No</b>	-----		
• SCC authority to vary time schedule.		<b>Yes</b> , but subject to limitations		<b>Yes</b> , but subject to limitations.	-----	<u>Yes, if competitive structures are not in place and/or competitors do not have access to the market.</u>	<b>Yes.</b>	<b>Yes</b> , depending on the state of the industry at the time a restructuring bill is enacted.	<b>Yes</b> , SCC should have authority to vary time schedules .	<b>Yes</b>	<b>Yes</b>	<b>Yes</b> , within parameters defined by General Assembly.	<b>Yes</b>	<b>Yes</b>
• Mandatory baseline rate cases		<b>Yes</b> , for purpose of establishing charges for distribution services and metering and billing		<b>No</b> , file pre-transition rate cases under existing statutes.	-----	<u>Not necessary. Unbundle existing rates.</u>	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 <u>as well as to unbundle rates.</u>	<b>No</b>	Necessity of baseline cases should be within SCC discretion; but, rate cases for unbundling purposes must be required.	-----		<u>Yes</u>
• Rate freezes in mitigation of stranded costs.		Address as part of stranded costs.		----- <u>Supports rate freezes as an appropriate mechanism for the</u>	<b>Yes</b> , during 4-5 year transition phase, rates should be capped,	SCC should freeze retail rates during five-year transition period.	<b>Not opposed</b> , but should be preceded by review of stranded	No position, although concerned that baseline cases and	-----	<b>No</b> , stifles competition	<b>No.</b>	-----		<u>No.</u>

Restructuring Issue	SCC	ALERT	Va. Committee	Va.Pwr.	AEP-Va.	Allegheny	Co-ops.	MEPAV	Wash. Gas	CNG	AOBA	SELC	VCAP	AARP
				<u>mitigation of stranded costs.</u>	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.						
• Preliminary wholesale competition		already exists; no additional measures needed.		generation dereg will enable.	-----	<u>Already exists, no need to act further.</u>	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.	-----		<u>Preliminary wholesale competition is crucial to this process. The SCC should study wholesale competition to determine whether all customer classes have benefited equally. Wholesale competition will be a good example to examine in overseeing the move to retail competition.</u>
• Unbundling		<b>Yes</b> , and all services other than transmission and distribution should be unbundled and made competitive services.		<b>Yes</b> , in 2002	<b>Yes</b> , competition's first phase would be a 1-2 year unbundling phase in which rates would be evaluated, unbundled, and distribution tariffs prepared.	<b>Yes</b> , an essential first step. Cost-of-service studies could be used as basis for unbundling.	<b>Yes</b> , needed for informational purposes.	<u>Generation must be unbundled from transmission and distribution</u> <u>Unbundling of transmission and distribution may also be important.</u> <u>It is premature to consider</u>	Unbundling of separate services on bill should proceed as quickly as possible. <u>Rates can be unbundled immediately, other services shortly after.</u>	Competitive unbundling should occur slowly, with SCC making utility-by-utility determinations about when services should be removed from price regulation.	<b>Yes</b>	-----		<u>Yes (without unbundling, little to no ability for competition to work).</u>

Restructuring Issue	SCC	ALERT	Va. Committee	Va.Pwr.	AEP-Va.	Allegheny	Co-ops.	MEPAV	Wash. Gas	CNG	AOBA	SELC	VCAP	AARP
								<i>unbundling of other services.</i>						
• Pilot Programs		Yes, but none after retail competition commences.		Yes, but not in legislation; SCC order in PUE980138 has initiated them.	-----	<i>Already being addressed by the SCC in Va. Allegheny pilot underway in PA.</i>	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		<i>Support the development of pilot programs but caution that lessons to be learned from a pilot program are limited.</i>
<b>56-580; nondiscriminatory access to transmission and distribution system</b>	General policy options: (i) General Assembly establishes rules for nondiscriminatory access to distribution service; SCC enforces, or (ii) SCC establishes and enforces rules and tariffs for nondiscriminatory access to distribution facilities, based on legislative criteria.					<i>FERC Order 888 provides for nondiscriminatory open access transmission. General Assembly will establish rules for nondiscriminatory access to utility distribution facilities.</i>								
• Delineating jurisdictional limits of SCC and FERC		Transmission rates: FERC; distribution rates: SCC.		Yes, Va. bill should reiterate SCC's jurisdiction over distribution	Transmission rates: FERC; distribution rates: SCC.	Transmission rates: FERC; distribution rates: SCC.	Transmission rates: FERC; distribution rates: SCC. However, SCC should	Transmission rates: FERC; distribution rates: SCC <i>for IOUs and co-ops.</i>	State legislation should require open access in <del>both</del> distribution <del>and</del>	Regulatory gaps may exist between SCC and FERC.	Transmission, FERC; distribution, SCC	-----		

Restructuring Issue	SCC	ALERT	Va. Committee	Va.Pwr.	AEP-Va.	Allegheny	Co-ops.	MEPAV	Wash. Gas	CNG	AOBA	SELC	VCAP	AARP
				and FERC's jurisdiction over trans.			have seat on ISO boards or on ISO advisory committees.	<u>local government</u> <u>s for</u> <u>municipal electric</u> s. Also, 7-factor test in FERC Order 888 distinguishing between distribution and transmission facilities should be incorporated into legislation.	transmission systems. SCC, FERC and ISO/RPX should administer pertinent remedies consistent with their jurisdictions.					
• Transmission import constraints		-----		<b>FERC's</b> OATT and <b>ISO</b> administration will mitigate. Also <b>SCC can</b> <u>should be able to</u> consider market power in timing residential retail access.	Must be dealt with by ISOs subject to FERC oversight.	<u>Transmission import constraints must be eliminated/mitigated to allow competitors access to market.</u>	Transmission constraints in any given region must be alleviated or price controls in place before ISO/RPX permitted to operate.	ISO with independent governing board to provide fair management and pricing of constraints and maximum efforts to minimize constraints <u>through construction of additional transmission line capacity.</u>	Efforts should be made to deal with constraints and their financial impact.	-----	FERC lacks jurisdiction over market power at retail level, thus legislation should direct SCC to conduct study of this issue.	-----		
• Regulation of transmission rates where transmission constrained.		-----		<b>FERC</b> will regulate rates; <b>SCC</b> and state authority limited to siting of and determining need for new transmission lines. FERC will not approve market-based	Must be dealt with by ISOs subject to FERC oversight	<u>FERC regulates all transmission rates.</u>	<b>Yes,</b> limit to cost of service until constraint alleviated.	No position taken, awaiting <u>Yes, by FERC. Premature to identify needed legislative solutions pending</u> outcome of pricing structure in	-----	-----	SCC should address market power issues for affected areas through divestiture of generation and other means.	-----		<u>Best way to ensure nondiscriminatory access is to require incumbent utilities to divest transmission and distribution systems.</u>

Restructuring Issue	SCC	ALERT	Va. Committee	Va.Pwr.	AEP-Va.	Allegheny	Co-ops.	MEPAV	Wash. Gas	CNG	AOBA	SELC	VCAP	AARP
				rates until constraint relieved				Alliance ISOs.						
<b>56-581; Independent system operator; roles and functions</b>	Policy options: (i) direct utilities and/or all owners of generation to form or joint IOS, subject to SCC review applying legislative criteria to ensure public interest is served, or (ii) give SCC authority to address this issue applying legislative criteria.		<u>The ISO should be the control area operator, with exclusive control over the transmission system, including ATC calculations.</u>	<b>ISO's</b> 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 and stability is maintained.	<b>ISO's</b> central function is to ensure nondiscriminatory access to transmission grid, and to maintain system reliability	<u>Premature to identify needed legislative solutions pending outcome of pricing structure in Alliance ISO.</u>		<u>The primary roles of the ISO are to maintain the safety and reliability of the transmission system and assure nondiscriminatory access.</u> ISOs may create yet another tier of regional regulation as well as regulatory uncertainties, i.e., FERC's limited authority over state issues .	ISOs and ISO proposals will generally fall under FERC jurisdiction.	Independent governance and operation of transmission system.		<u>ISO must be truly independent of any incumbent or competitor.</u>
• ISO board composition		Board must be independent ; if stakeholder board used, stakeholders must have actual role in ISO governance.	<u>ISOs should be governed by an independent and disinterested board of directors, with adequate stakeholder representation on any advisory boards</u>	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.	<u>Board membership and operating structures should ensure independence and balanced representation between transmission owning entities and other stakeholders.</u>	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 <u>with all stakeholders represented, or a disinterested board, with an advisory board made up of all stakeholders.</u>	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.		<u>Residential consumer representative should be on the governing board of any ISO.</u>
• ISO conformity to Va. public interest standard		SCC should have authority to approve each utility's	<u>SCC should adopt standards to guide utilities and other parties in</u>	<b>SCC</b> will have input in ISO development.	Current ISO formation process will provide opportunities	<u>SCC will have input into ISO development and FERC approval</u>	Va. can influence ISO development and operation	FERC Order 888's 11 principles when implemented	-----	-----	Supports SCC development and application of a Virginia Public Interest	Propose establishing a prototype governing board of a Virginia		

Restructuring Issue	SCC	ALERT	Va. Committee	Va.Pwr.	AEP-Va.	Allegheny	Co-ops.	MEPAV	Wash. Gas	CNG	AOBA	SELC	VCAP	AARP
		participation in ISO; emphasis on reliability, transmission constraints and market power.	<u>developing and/or joining ISOs.</u>		s for all stakeholders, including SCC, to have input, thus protecting the public interest.	<u>process.</u>	through board participation, initial approval of ISOs and approving of electric facility siting within state.	d in ISO formation should result in a self-regulated entity requiring limited FERC and SCC oversight—or oversight by other states' regulatory commissions.			Standard for any ISO in which Virginia utilities will participate.	ISO. Prototype board would decide rules by which transmission grid should be governed; FERC ISO approval filings should be consistent with these rules.		
• 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.	<u>SCC should continue to have oversight and enforcement authority over utilities involved in ISOs.</u>	SCC can intervene before FERC, plus it will have oversight of new transmission facilities for routing and certification purposes.	-----	<u>SCC can intervene before FERC, plus it will still have oversight of new transmission facilities for routing and certification purposes.</u>	Can exert influence through siting process.	-----	-----	SCC should work with FERC and other regulatory bodies to address regulatory shortfall as they emerge.		-----		
• 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.	<u>FERC Order 888 ISO principles address these issues.</u>		-----	Topic describes areas falling within ISO responsibilities	-----	SCC should retain oversight of reliability of service offered by power marketers, and reserve requirements for all providers of firm electric generating service.	-----		
• Identification and obligations of must-run units.		Responsibility of ISO; determination should be on basis of reliability considerations, only.		<b>ISOs</b> must identify and dispatch these units. ISO's broader boundaries may result in new	ISO must identify and coordinate.	<u>ISO must identify and coordinate.</u>	ISO must identify and dispatch.	-----	-----	SCC should continue oversight of must-run units until competition eliminates need for	Should not be addressed in legislation. Could be incorporated into Virginia public interest standards for	-----		



Restructuring Issue	SCC	ALERT	Va. Committee	Va.Pwr.	AEP-Va.	Allegheny	Co-ops.	MEPAV	Wash. Gas	CNG	AOBA	SELC	VCAP	AARP
				designation of such units for each utility.						price regulation.	ISOs discussed above.			
• Minimum ISO size.		Preference for all Virginia utilities in same ISO with broad geographic dimensions and without transmission constraint between utilities.	<u>An ISO should be as large as reasonably possible, and reciprocity among ISOs should be encouraged.</u>	No specific minimum size; leave that to evolution of market.	Large, regional ISOs preferred	<u>No size should be specified. Leave to market.</u>	Large, regional ISOs preferred.	ISOs should be sufficiently large in region to constitute the "region" that would be a regional power exchange (RPX) and provide a viable, competitive market.	-----	-----	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.		
• Eminent domain		SCC to authorize use.		Remains with state and utility. ISO may coordinate, but state through SCC will approve new transmission line siting.	Must be retained by utilities and the state.	<u>Would not be a function of ISO. State/utility issue. ISOs will not build/own facilities.</u>	Exercise in relation to transmission and distribution. Transmission owner could exercise at the direction of an ISO if ISO has clear authority to mandate system additions and improvements.	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.	-----		
<b>56-582; regional power exchanges; miscellaneous comments.</b>		Pricing under RPX should follow these principles: (i) generator/seller gets price it actually bid; and (ii) buyer pays weighted	<u>RPX should not be established by legislation.</u>			No immediate need for RPX in light of open transmission access. Such access has created viable wholesale market to		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	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.	-----		

Restructuring Issue	SCC	ALERT	Va. Committee	Va.Pwr.	AEP-Va.	Allegheny	Co-ops.	MEPAV	Wash. Gas	CNG	AOBA	SELC	VCAP	AARP
		average of bid, i.e., market clearing price.				service alternative suppliers to serve retail customers.				financial balancing between suppliers, to avoid balancing fees and penalties.				
• RPX Conformity to public interest standard		Virginia utility involvement in RPX should be subject to SCC approval.		Legislation should not be overly prescriptive; RPX will evolve based on input from stakeholder and utility regulators.	Roles of state and federal governments should be minimized to avoid impeding the operation and benefits of the market.	<u>Any RPX would be formed pursuant to FERC oversight and jurisdiction.</u>	Va. may be able to influence RPX through participation in relevant FERC proceedings, board or advisory board participation, and possibly through generation facility sitings.	-----	Public interest standards should be taken into consideration.	-----	Whether one required is not clear at this time.	-----		
• Bilateral contracts between suppliers and customers.		Yes	<u>Yes</u>	HB-1172 does not prohibit.	-----	<b>Yes</b> [by implication]	Yes, they are a necessity for many cooperatives under current federal tax law.	<b>Yes</b>	Should be permitted before and after RPX established	<b>Yes</b>	<b>Yes</b>			
• Whether all sales should be made through RPX		No	<u>No</u>	Legislation should be flexible to let ISO/RPX systems and policies to evolve.	-----	<b>No</b> [by implication]	No, but all uncommitted capacity should be sold through an RPX.	<del>No apparent position.</del> <u>No. Bilateral and existing contracts should be grandfathered.</u>	No, in a competitive market, sales should be through RPX, bilateral contracts or a combination of the two.	<b>No</b>	<b>No</b>	-----		
• 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	-----	<u>Coops and munis should be permitted to participate in RPXs.</u>	Wholesale power sales between Old Dominion and distribution	-----	-----	-----	Should be same as all other providers of distribution services.	-----		

Restructuring Issue	SCC	ALERT	Va. Committee	Va.Pwr.	AEP-Va.	Allegheny	Co-ops.	MEPAV	Wash. Gas	CNG	AOBA	SELC	VCAP	AARP	
							cooperatives through an RPX could affect tax-exempt status of cooperatives.								
<ul style="list-style-type: none"> <li>Pricing of generation from must-run units</li> </ul>		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.	<u>Should be priced on a cost of service basis, or in a manner which prevents market power abuse.</u>	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.	-----	-----			
<b>56-583; transmission and distribution of electric energy.</b>															
<ul style="list-style-type: none"> <li>Equality of treatment between incumbent utilities and new market entrants.</li> </ul>		Equal treatment with regard to rights and responsibilities. <u>This could include opening up territorial boundaries, service practices and issues related to facilities.</u>		Level playing field for all participants. <del>This could include opening up territorial boundaries, service practices and issues related to facilities.</del>	All energy service providers in state must be subject to a level playing field.	<u>All energy service providers in state must be subject to a level playing field.</u>	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 <del>both transmission and</del> distribution systems. <u>Pending formation of ISO, transmission can be excluded from legislation.</u>	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 would address joint marketing of utility and nonutility services, treatment of confidential customer information, etc.	ISO essential to furnishing comparable access by electric power providers to transmission and distribution systems owned by incumbent utilities.			
<ul style="list-style-type: none"> <li>Continuation of eminent domain under SCC</li> </ul>	Policy issues to consider: (i)	SCC to continue eminent		Concur with SCC staff comment to	Eminent domain, along with	<u>Should continue for T&amp;D.</u>	SCC to oversee eminent	Current structure should	SCC should continue oversight	-----	SCC should continue oversight;	-----			

Restructuring Issue	SCC	ALERT	Va. Committee	Va.Pwr.	AEP-Va.	Allegheny	Co-ops.	MEPAV	Wash. Gas	CNG	AOBA	SELC	VCAP	AARP
oversight.	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.?	domain authority.		FERC that SCC/state will retain that authority over new transmission facilities after ISOs established.	SCC oversight of transmission line siting should remain with state and utilities.	<u>Future generation should be treated as any manufacturing facility.</u>	domain concerning transmission and distribution rights of way.	remain in place, but regional needs must be considered in siting new transmission facilities.	over utility exercise of eminent domain authority.		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.			
• Siting of merchant plants; role of SCC.		SCC to have diminished legal authority over authorization of such plants, but retains siting authority vis-à-vis eminent domain exercise.		Certificate of convenience & necessity should no longer be required; economics should be determining factor. SCC/state/feds should retain siting and environment oversight, however.	Market forces will determine need for merchant plants; certification authority will likely remain with SCC.	<u>Certificate of convenience and necessity should no longer be required; economics should be determining factor. SCC/state/feds should retain siting authority and environment oversight, however.</u>	State 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	Current structure for siting generation (whether merchant plants or other new generation) should remain in place.	SCC should have authority over siting, but it will not be necessary for SCC to oversee need and economic aspects of competitive generation facilities.	No need for SCC to oversee the business wisdom of any siting decision.	-----	SCC should 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.		
• Preservation of current IOU, cooperative and Muni distribution		Existing service territories to remain		Current exclusive distribution territories	-----	<u>Current exclusive distribution territories</u>	Current incumbent distribution territories	Territories should be preserved. Muni	Current incumbent distribution territories	-----	Preserve existing territories; consolidation a	Distribution should remain a monopoly		

Restructuring Issue	SCC	ALERT	Va. Committee	Va.Pwr.	AEP-Va.	Allegheny	Co-ops.	MEPAV	Wash. Gas	CNG	AOBA	SELC	VCAP	AARP
service territories.		intact.		should be preserved.		<u>should be preserved.</u>	should be preserved	<u>geographic</u> distribution territories should remain intact. <u>Unless If</u> local governments opt in to retail competition, <u>then customer choice of generation would be permissible.</u>	should be preserved		future possibility.	service.		
<b>56-584. Regulation of rates subject to SCC jurisdiction.</b>														
<ul style="list-style-type: none"> <li>services subject to regulation, and those subject to competition.</li> </ul>		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.	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.	<u>Aside from generation unbundling, the unbundling of metering, billing and other related distribution services should be determined by the SCC on a case-by-case basis. Deregulation of generation and other competitive services should occur only once there is sufficient competition for providing that service.</u> <del>Aside from</del>	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	<u>SCC to determine which services should be subject to rate regulation and which are subject to competition.</u>

Restructuring Issue	SCC	ALERT	Va. Committee	Va.Pwr.	AEP-Va.	Allegheny	Co-ops.	MEPAV	Wash. Gas	CNG	AOBA	SELC	VCAP	AARP
										generation deregulation; unbundling of metering, billing and other related distribution services should occur gradually. SCC to determine on a case-by-case basis.				
<b>56-585; licensure of retail electric energy suppliers.</b>	Policy Options: (i) Direct SCC to establish licensing process, applying 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.	SCC to have full authority over licensing, financial responsibility, and determining practical ability to deliver services.		All potential suppliers to be duly licensed and determined to be able to perform contracted services.		Supplier authorization may be needed, and registration requirements should be 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.	Potential suppliers should be licensed upon showing of (i) access to generating facilities (ii) adequate reserves to meet regional reliability standards, (iii) means of power delivery and (iv) financial integrity to meet their objectives.	No specific recommendations at this time, <u>but agree that customer protections must be put into place.</u>	SCC should be responsible for licensing and financial filings. Licensing fees could help pay for public service/education campaign.	Licensing, bonding and service standards necessary to afford customer protection.	Power marketers must be licensed and subject to standards of conduct, and minimum capacity requirements (for marketers of firm generation services). Periodic adequacy demonstrations should be required for each marketer's owned and contracted generation reserves.	Licensing should ensure that all customers have access to reliable and affordable electricity.	All generating companies desiring to do business in the Commonwealth should be licensed and bonded.	<u>All providers and suppliers of service should be licensed to do business in the Commonwealth and should be required to meet minimum market standards of conduct. It is critical that all companies requesting licensure from the Commonwealth supply information demonstrating that they have the technical and financial capabilities of providing the services for which they are applying.</u>
<b>56-586; suppliers of last resort; default suppliers; backstop</b>	Legislative options: (i) incumbent	SCC to have authority to determine		Incumbent utility should provide these	Incumbent local service providers	Distribution utility should be	Distribution service provider	Local distribution entities	Incumbent utility should be supplier of	One entity should furnish all	Not necessary to draw distinctions	Entities providing distribution	Incumbent may be default	<u>Crucial for the SCC to designate a</u>

Restructuring Issue	SCC	ALERT	Va. Committee	Va.Pwr.	AEP-Va.	Allegheny	Co-ops.	MEPAV	Wash. Gas	CNG	AOBA	SELC	VCAP	AARP
<b>providers.</b>	utility, short- or long-term, (ii) competitive bidding, or (iii) assign customers to competitive retail sellers in proportion to each seller's competitive market share.  Note: Legislature can decide on option, or give SCC discretion, applying legislative criteria.	supplier of last resort and default providers [options offered in submission]; backstop provider service provided via contract, with backup power purchased through RPX.		services.	should provide these services.	default provider during 5-year transition period; thereafter, customers can choose distribution utility as their generation provider, actively or by default.-	should serve all three roles.	should be default provider and providers of last resort.	last resort/backstop provider. Default provider should be incumbent utility during transition, but made competitive (through a bid process) in a fully competitive market.	of these services. Should be furnished competitively (see previous submission to task force)	between default providers and suppliers of last resort.	services should have universal service obligations (provider of last resort). Default providers should be subject to competitive bidding and randomly assigned.	supplier during transition, but in a competitive market, this supplier should be established by random assignment or competitive bidding; Suppliers of last resort services should be subject to regulated rates.	<u>supplier of last resort in each service area. SCC should examine possibility of putting the supplier of last resort out for competitive bidding.</u>
<b>56-587; Voluntary aggregation permitted.</b>		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.	<u>Voluntary aggregation should be allowed.</u>	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 authorization for local governments to act as aggregators.	Development of public and/non-profit aggregators for residential and other small consumer groups should be encouraged.	<u>Voluntary aggregation should be actively encouraged by the SCC. SCC should take a role in assisting customers to aggregate so that they can benefit from competition.</u>
<b>56-588; metering, billing and other distribution services.</b>		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 <u>at this time and continue to be provided</u>	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		<u>Unclear. SCC should proceed cautiously in determining whether or not these services should be open to competition.</u>

Restructuring Issue	SCC	ALERT	Va. Committee	Va.Pwr.	AEP-Va.	Allegheny	Co-ops.	MEPAV	Wash. Gas	CNG	AOBA	SELC	VCAP	AARP
								<i>by the local distribution utility.</i>				contracts. Funding clean and efficient energy must come through public benefits charges.		
<b>56-589; Consumer Protections and customer services; penalties.</b>	-----	-----		-----	-----	<i>Should continue with retail services under jurisdiction of SCC.</i>	-----	-----	-----	-----	-----	-----	Strong consumer protection and comprehensive consumer education necessary.	<i>Educational service to residential consumers should be delivered by an independent entity.</i>
<b>56-590. Public purpose programs.</b>		-----		-----	-----	<i>Should be separately funded by a non-bypassable surcharge on all system users.</i>	-----	-----	-----	-----	-----	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.	
<b>56-591. Transition costs and benefits.</b>	Range of options: (i) permitting <i>limited</i> net stranded cost/benefit recovery, as calculated by SCC, (ii) requiring <i>full</i> net stranded cost/benefit recovery, as calculated by the commission, or (iii) directing SCC to determine a just and	-----		-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	



Restructuring Issue	SCC	ALERT	Va. Committee	Va.Pwr.	AEP-Va.	Allegheny	Co-ops.	MEPAV	Wash. Gas	CNG	AOBA	SELC	VCAP	AARP
	reasonable level of net stranded cost/benefit recovery, applying General Assembly criteria.													
<b>56-592. Nonbypassable wires charges.</b>		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 during transition re: stranded costs recovery.	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 customer of a utility should be permitted to escape such charges, and stranded costs and (iii) stranded benefits must be reciprocal.	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.	<u>Any such charges must truly be nonbypassable. Charges should be assessed on a cents per kilowatt hour basis.</u>
<b>56-593. Divestitures; functional separation and other corporate relationships.</b>	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		<u>The SCC should be directed to investigate market power and order divestiture, if necessary. SCC should also encourage expansion of merchant plants and distributed generation.</u>			<u>Corporate structures should not be dictated by either legislation or regulation. Should be left to market.</u>				<u>Codes of conduct should regulate these relationships, but only to the extent necessary to prevent cross-subsidization and prevent flow of customer</u>				<u>Incumbent utilities should be required to divest their transmission and distribution systems so that competition can develop on a level playing field. Incumbent monopoly companies</u>

Restructuring Issue	SCC	ALERT	Va. Committee	Va.Pwr.	AEP-Va.	Allegheny	Co-ops.	MEPAV	Wash. Gas	CNG	AOBA	SELC	VCAP	AARP
	abuse, (ii) encourage or require divestiture and maintain state <u>regulatory</u> jurisdiction over must-run units (or rely on FERC to regulate those units, or (iii) initiate customer choice and foster competitive market organizations and infrastructure.									<u>information from utilities to affiliated marketers that the utility is not also willing to provide to other marketers.</u>				<u>and new entrants should not be rate regulated in the same manner since, at the outset, one has one hundred percent market share and one has no share.</u>
• 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. <u>Voluntary divestiture should be permitted.</u>	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.	<u>Support divestiture of transmission and distribution systems by the incumbent utility.</u>
• Functional separation of generation and distribution.		Generation, transmission and distribution should be functionally separated.		An appropriate issue for legislation; will probably occur naturally as a by-product of	-----	<u>Requiring functional unbundling into separate G, T &amp; D to facilitate competition</u>	Support functional separation.	If permitted, SCC oversight essential to ensure effectiveness, and	-----	-----	-----	-----		<u>Do not support functional separation.</u>

Restructuring Issue	SCC	ALERT	Va. Committee	Va.Pwr.	AEP-Va.	Allegheny	Co-ops.	MEPAV	Wash. Gas	CNG	AOBA	SELC	VCAP	AARP
				deregulating generation and establishing ISOs and RPXs.		<i>is appropriate.</i>		prevent cost-shifting. FERC may need to undertake this role, as well.						
<ul style="list-style-type: none"> <li>Relationships between suppliers or distributors and their affiliates.</li> </ul>	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), <u>and are not likely to be effective in the future.</u>	-----	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"> <li>Mergers and acquisitions</li> </ul>		-----		Current regulatory oversight of mergers (e.g., SCC, FERC, NRC, Attorney General, and Justice Department) provides protection of public interest.	-----	<u>Current regulatory oversight of mergers (e.g. SCC, FERC, NRC, Attorney General, and Justice Department) provides protection of public interest.</u>	No moratorium on M & As recommended at this time, but each such proposed transaction must be closely scrutinized.	Must be scrutinized, <u>particularly in regard to market power issues.</u>	-----	Inevitable, but may require new regulatory approaches to addressing vertical and horizontal market power.	Address on a case-by-case basis, giving consideration to development and operation of competitive generation markets.	-----		
<b>56-594. Legislative Transition Task Force.</b>		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.	<u>Supports such a task force during competitive industry.</u>	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	-----	-----		

Restructuring Issue	SCC	ALERT	Va. Committee	Va.Pwr.	AEP-Va.	Allegheny	Co-ops.	MEPAV	Wash. Gas	CNG	AOBA	SELC	VCAP	AARP
										and deregulation.				
<b>Market Power</b>			<i>The SCC should be directed to investigate market power and order divestiture, if necessary. SCC should also encourage expansion of merchant plants and distributed generation.</i>											
<ul style="list-style-type: none"> <li>Mitigating market power associated with existing generation.</li> </ul>		Allow and encourage construction of merchant plants and distributed generation.	<i>See above</i>	Such market power will be mitigated through (i) FERC oversight of market-based wholesale prices, and (ii) anticipated influx of merchant plants. <i>A large regional ISO will also serve to mitigate market power, and such an ISO will require FERC approval.</i>	Market forces will drive additions to generation supply in response to price signals in the market.	<i>SCC should monitor market to ensure that no participant is exercising undue market power.</i>	Generation in constrained areas should be sold only under regulated, cost of service rates.	<i>Transmission constraints restrict access to adequate supplies of power and energy that are necessary for a truly competitive generation market. These constraints must be eliminated. Control and operation of transmission systems must be transferred from vertically integrated IOUs to ISOs with fair pricing.</i>	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 determine that competition has been effective.	<i>Divestiture will ensure that the incumbent utility has no more interest in the distribution and transmission system than does any other supplier.</i>
<ul style="list-style-type: none"> <li>Market power impact of existing generation sites</li> </ul>		Encourage construction of merchant	<i>See above.</i>	Va. Power and other IOUs do not	-----	<i>Allegheny owns no fossil-fired</i>	Issue is problematic, but state	-----	see above	-----	SCC should ensure that utilities and	-----		<i>See above.</i>

Restructuring Issue	SCC	ALERT	Va. Committee	Va.Pwr.	AEP-Va.	Allegheny	Co-ops.	MEPAV	Wash. Gas	CNG	AOBA	SELC	VCAP	AARP
as candidates for new incremental generation		plants and distributed generation.		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.		<u>generation in Virginia. Is part owner of Bath County and minor hydro facilities. Therefore, it has virtually no control over potential generation sites or additions.</u>	could develop licensing scheme for unused space at existing generation sites				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"> <li>Competitive advantages associated with ownership of SO<sub>2</sub> allowances and the ability to generate NO<sub>x</sub> off-sets necessary to build generation in non-attainment areas.</li> </ul>		Suggests that this issue is before the Consumer, Environment and Education task force.		Prospective entrants can currently purchase SO <sub>2</sub> allowances in a nationwide trading market.	No market power advantage is expected to accrue through such ownerships or abilities.	<u>No market power advantage is expected to accrue through such ownerships or abilities. Prospective entrants can currently purchase SO<sub>2</sub> allowances in a nationwide trading market.</u>	SO <sub>2</sub> allowances can be purchased in market at reasonable prices. NO <sub>x</sub> off-sets not readily available. One solution: state could establish an NO <sub>x</sub> off-set bank similar to those in Maryland and Delaware.	-----	See above	-----	-----	-----		
<ul style="list-style-type: none"> <li>Competition for default services</li> </ul>		-----		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,	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.		

Restructuring Issue	SCC	ALERT	Va. Committee	Va.Pwr.	AEP-Va.	Allegheny	Co-ops.	MEPAV	Wash. Gas	CNG	AOBA	SELC	VCAP	AARP
						their incumbent distribution utility as their generation supplier.								
<ul style="list-style-type: none"> <li>Implications of long-term contracts between incumbent utilities and existing customers prior to commencement of retail competition</li> </ul>		-----		<p><del>Va. Power's long-term contracts are principally with cooperatives (wholesale) and localities (retail). Contracts are actually short term.</del></p> <p><u>Virginia Power's existing long-term contracts are with cooperatives and municipalities. Each of these contracts will be renegotiated within the next ten years.</u> There are also long-term contracts for recovery of excess distribution facilities</p>	AEP supports the viability of existing contracts.	Special contracts between incumbent utilities and large commercial/ industrial customers should be honored until their contract terms allow for expiration.	Existing long-term retail electric contracts should be honored through the commencement of retail competition.	-----	-----	-----	-----	-----		
<b>Miscellaneous comments.</b>	--SCC concerned about generation sufficiency (capacity) in a competitive market, citing June wholesale							-----			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		

<b>Restructuring Issue</b>	<b>SCC</b>	<b>ALERT</b>	<b>Va. Committee</b>	<b>Va.Pwr.</b>	<b>AEP-Va.</b>	<b>Allegheny</b>	<b>Co-ops.</b>	<b>MEPAV</b>	<b>Wash. Gas</b>	<b>CNG</b>	<b>AOBA</b>	<b>SELC</b>	<b>VCAP</b>	<b>AARP</b>
	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.											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 must not be permitted to subsidize uneconomic plants.		