

Restructuring Issue	SCC	ALERT	Va. Committee	Va.Pwr.	AEP-Va.	Allegheny	Co-ops.	MEPAV	Wash. Gas	CNG	AOBA	SELC	VCAP	AARP	VCCC
<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.	<i>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.</i>	
<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					<i>Three year phase-in. Five year rate freeze corresponding to length of CTC recovery.</i>									

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	<p>rates, until competition is an effective regulator to protect consumers. <u>Schedule for customer choice subject to alteration by Commission if measures necessary for customer choice not in place. Deregulation of generation assets should not proceed until competition evolves to become an effective regulator of price and reliability. Commission should retain authority over asset transfer.</u></p>														
• Timetable	<p><u>Customer choice as established by HB 1172 should be subject to change if necessary. No predetermined</u></p>	<p><b>1/1/2000:</b> ISO/RPX formation complete; <b>7/1/2000:</b> commence competition; <b>7/1/2001:</b> full competition in place.</p>	<p><u>Customer choice for all classes should begin as soon as practical, but for industrial customers, no later than January 1, 2002.</u></p>	<p>As established by HB-1172: <b>1/1/2001:</b> ISO/RPX in place; <b>1/1/2002:</b> transition begins; <b>1/1/2004:</b></p>	<p>No set dates; 2002 date set by HB-1172 termed aggressive, but can be met. Unbundle for 1-2 years, followed by</p>	<p>No date specified; Five year transition period recommended <u>Supports HB 1172 1/1/2002 date for start of 5</u></p>	<p>Should begin when ISO/RPOX in place and transmission constraints eliminated or appropriate price controls</p>	<p>No timetable specified. SCC could set timetable for jurisdictional utilities. <u>Should not begin until an</u></p>	<p>1/3/1/99: enrollment for year 1 of a pilot phase; 1/3/1/200: enrollment in year 2 of pilot phase coinciding with functional</p>	<p>As soon as practicable</p>	<p>SCC should determine subject to legislative guidelines. Legislative guidelines should not establish a fixed time schedule for retail</p>	<p>-----</p>		<p><u>SCC should maintain oversight over the electric utility industry in total until there is effective competition</u></p>	<p><u>Competition must be found to be effective by the SCC before electric generation is deregulated.</u></p>

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	<u>schedule for deregulation of generation assets.</u>			full retail competition	4-5 year transition phase in which rates would be capped and utilities permitted to recover their regulatory assets and stranded commitments. <u>Transition period begins following a 1-2 year 'unbundling period.'</u> During the 4-5 year transition period, utility rates for generation service would be capped and utilities permitted to recover their regulatory assets and stranded commitments.	<u>year transition and 3-year phase-in periods.</u>	(related to transmission constraints) are in place.	<u>independent and fully functional ISO is in place.</u>	ISO/RPX		competition.				<u>for service.</u>
• Phase-in by customer class, or concurrent commencement for all customer classes.	<u>Maintain flexibility to fit circumstances.</u>	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>	<u>Phase-in by customer class; Industrials in 2002; commercial in 2003; residential in 2004. Phase-in by customer class was initially suggested</u>	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	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>	<u>All customer classes must have access to the competitive retail market for electricity at the same time.</u>

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				<i>(see above) for physical reasons, but flexibility is encouraged; advise against "all-at-once" approach.</i>		basis.									
• Linkage between ISO/RPX readiness and retail competition	<i>ISO should be in place before significant customer choice is implemented.</i>	<b>Yes,</b> ISO/RPX readiness by 7/1/2000; retail competition for 1/3 of all customer classes.	<i>No. An operational ISO is not necessary for the implementation of customer choice for industrial customers and the legislation should not establish an RPX.</i>	<b>Yes,</b> as per HB-1172	<b>Yes; while Virginia and other states cannot require reciprocity, the need for a reasonably high degree of conformity among states, as to market access, should be the goal.</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.			<i>Since an ISO and an RPX are necessary to operate a competitive generation market, retail competition cannot begin before they are operational.</i>
• Linkage between retail competition in Va., and in other states served by same regional ISOs	<i>No need for establishing this linkage statutorily, if the Commission otherwise has flexibility over the timing of competition; the Commission can take into account the actions of other states in determining</i>	<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>	-----			

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	<i>g the precise timing.</i>														
• SCC authority to vary time schedule.	<u>Yes.</u>	<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>	<u>Yes</u>	<u>Yes</u>
• Mandatory baseline rate cases	<u>Maintain flexibility to recognize unique circumstances of each electric utility.</u>	<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. <b>No; but the SCC will need to conduct a hearing for each utility to unbundle existing rates.</b>	<u>Commission approval of the unbundling of rates would be required.</u>	<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>	<u>Yes</u>
• Rate freezes in mitigation of stranded costs.	<u>Long-term consumer rate protection will be necessary. Rate caps may be the most effective way of providing that protection and may be the most realistic mechanism for returning any</u>	Address as part of stranded costs.		<u>Support rate freezes or rate caps as appropriate mechanisms for the mitigation of stranded costs.</u>	<b>Yes</b> , during 4-5 year transition phase, rates should be capped, giving opportunity to recover regulatory assets and stranded commitments.	SCC should freeze retail rates during five-year transition period.	<b>Not opposed</b> , but should be preceded by review of stranded costs issues.	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.	-----	<b>No</b> , stifles competition	<b>No.</b>	-----		<u>No.</u>	<u>No. Electric service is a declining cost industry and ratepayers should get the benefit of cost reductions. Stranded costs, if any, should be mitigated and quantified by the SCC in a separate proceeding.</u>

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	<i>stranded benefits.</i>														
• Preliminary wholesale competition		already exists; no additional measures needed.		generation dereg will enable.	<i>No; wholesale competition already exists and no additional measures are needed.</i>	<i>Already exists, no need to act further.</i>	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.	-----		<i>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.</i>	<i>Currently permitted by federal law.</i>
• Unbundling	<i>Yes.</i>	<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.	<i>Generation must be unbundled from transmission and distribution. Unbundling of transmission and distribution may also be important. It is premature to consider unbundling of other</i>	Unbundling of separate services on bill should proceed as quickly as possible. <i>Rates can be unbundled immediately, other services shortly after.</i>	Competitive unbundling should occur slowly, with SCC making utility-by-utility determinations about when services should be removed from price regulation.	<b>Yes</b>	-----		<i>Yes (without unbundling, little to no ability for competition to work).</i>	<i>Necessary for consumer information, comparison shopping for electric supply, and for effective competition.</i>

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• Pilot Programs	<u>In progress.</u>	Yes, but none after retail competition commences.		Yes, but not in legislation; SCC order in PUE980138 has initiated them.	<u>Yes; results may contribute valuably to the development of future legislation and restructuring plans.</u>	<u>Already being addressed by the SCC in Va. Allegheny pilot underway in PA.</u>	Yes, but not for purposes of demonstrating cost savings; helpful for experience in assessing development of competition.	<u>services.</u> -----	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		<u>Support the development of pilot programs but caution that lessons to be learned from a pilot program are limited.</u>	<u>Helpful to learn how to serve all classes of customers but does not realistically test price of electricity.</u>	
<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.					<u>FERC Order 888 provides for nondiscriminatory open access transmission. General Assembly will establish rules for nondiscriminatory access to utility distribution facilities.</u>										Require distribution companies to connect customers to energy supplier of choice, or "obligation to connect."
• Delineating jurisdictional limits of SCC and FERC	<u>State law should be written after careful analysis to ensure</u>	Transmission rates: FERC; distribution rates: SCC.		Yes, Va. bill should reiterate acknowledge SCC's jurisdiction over	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 for IOUs and	State legislation should require open access in both distribution	Regulatory gaps may exist between SCC and FERC. The SCC should	Transmission, FERC; distribution, SCC	-----				Transmission regulated by FERC and distribution regulated by SCC. Virginia

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	<u>maximum possible state authority and to ensure no gaps in coverage between state and federal authority.</u>			distribution and FERC's jurisdiction over transmission.			have seat on ISO boards or on ISO advisory committees.	<u>co-ops, local government s for municipal electrics.</u> Also, 7-factor test in FERC Order 888 distinguishing between distribution and transmission facilities should be incorporated into legislation.	<u>and transmission systems.</u> SCC, FERC and ISO/RPX should administer pertinent remedies consistent with their jurisdictions.	<u>monitor these gaps and work with FERC to close them.</u>					<u>legislation should preserve maximum authority for the SCC to protect the public interest.</u>
• Transmission import constraints	<u>Significant market power issue which must be addressed before consideration of generating asset deregulation. SCC Staff is still exploring ways to address this issue.</u>	-----		<b>FERC's</b> OATT and <b>ISO</b> administration will mitigate. Also <b>SCC</b> can <u>should be able to consider market power in timing residential retail access.</u>	<u>Must be dealt with by ISOs subject to FERC oversight. Must be mitigated by transmission system additions and effective pricing mechanisms being developed prior to onset of retail competition</u>	<u>Transmission on 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.	-----			<u>Major barrier to effective competition and must be resolved before generation is deregulated. Merchant plant construction not sufficient to relieve transmission constraints.</u>
• Regulation of transmission rates where transmission constrained.	<u>Transmission rates will be regulated by FERC. Virginia should play an important</u>	-----		<b>FERC</b> will regulate rates; <b>SCC</b> and state authority limited to siting of and determining	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.	<u>No position taken, awaiting Yes, by FERC. Premature to identify needed legislative</u>	-----	-----	SCC should address market power issues for affected areas through divestiture of generation	-----		<u>Best way to ensure nondiscriminatory access is to require incumbent utilities to divest</u>	<u>Regulation or divestiture necessary where barriers to competition exist.</u>



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	<i>role in the determination of which ISOs utilities can join. Transmission pricing in constrained areas will vary across ISOs.</i>			g need for new transmission lines. FERC will not approve market-based rates until constraint relieved				<i>solutions pending outcome of pricing structure in Alliance ISOs.</i>			and other means.			<i>transmission and distribution systems.</i>	
<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. <i>All aspects of the ISO are important, and it is critical that the Commonwealth play a major role with respect to a number of</i>		<i>The ISO should be the control area operator, with exclusive control over the transmission system, including ATC calculations.</i>	<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	<i>Premature to identify needed legislative solutions pending outcome of pricing structure in Alliance ISO.</i>		<i>The primary roles of the ISO are to maintain the safety and reliability of the transmission system and assure nondiscriminatory access. ISOs may create yet another tier of regional regulation as well as regulatory uncertainties, i.e., FERC's limited authority over state issues .</i>	ISOs and ISO proposals will generally fall under FERC jurisdiction.	Independent governance and operation of transmission system.		<i>ISO must be truly independent of any incumbent or competitor.</i>	<i>ISO must be truly independent of generation and distribution companies.</i>

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	<i>factors. Commission currently has an open docket on this issue.</i>														
• ISO board composition	<i>See comment above.</i>	Board must be independent; if stakeholder board used, stakeholders must have actual role in ISO governance.	<i>ISOs should be governed by an independent and disinterested board of directors, with adequate stakeholder representation on any advisory boards</i>	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.	<i>Board membership and operating structures should ensure independence and balanced representation between transmission owning entities and other stakeholders.</i>	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 <i>with all stakeholders represented, or a disinterested board, with an advisory board made up of all stakeholders.</i>	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.		<i>Residential consumer representative should be on the governing board of any ISO.</i>	<i>Residential customers must be represented.</i>
• ISO conformity to Va. public interest standard	<i>See comment above.</i>	SCC should have authority to approve each utility's participation in ISO; emphasis on reliability, transmission constraints and market power.	<i>SCC should adopt standards to guide utilities and other parties in developing and/or joining ISOs.</i>	SCC will have input in ISO development.	Current ISO formation process will provide opportunities for all stakeholders, including SCC, to have input, thus protecting the public interest.	<i>SCC will have input into ISO development and FERC approval process.</i>	Va. can influence ISO development and operation through board participation, initial approval of ISOs and approving of electric facility siting within state.	FERC Order 888's 11 principles when implemented in ISO formation should result in a self-regulated entity requiring limited FERC and SCC oversight—or oversight by other states' regulatory commissions.	-----	-----	Supports SCC development and application of a Virginia Public Interest Standard for any ISO in which Virginia utilities will participate.	Propose establishing a prototype governing board of a Virginia ISO. Prototype board would decide rules by which transmission grid should be governed; FERC ISO approval filings should be consistent with these rules.			<i>SCC should apply public interest standard to any ISO a Virginia electric company proposes to join.</i>
• SCC oversight of ISOs after their	<i>See comment above.</i>	SCC to have authority to determine	<i>SCC should continue to have</i>	SCC can intervene before	-----	<i>SCC can intervene before</i>	Can exert influence through	-----	-----	SCC should work with FERC and		-----			<i>Same standards for continued</i>

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implementation.		whether continued participation by utility in ISO is appropriate upon change of structure or operation of ISO.	<u>oversight and enforcement authority over utilities involved in ISOs.</u>	FERC, plus it will still have oversight of new transmission facilities for routing and certification purposes.		<u>FERC, plus it will still have oversight of new transmission facilities for routing and certification purposes.</u>	siting process.			other regulatory bodies to address regulatory shortfall as they emerge.					<i>operation of ISOs should apply as for joining ISO.</i>
• ISO coordination with load serving entities (LSEs); voltage stability, generation reserves, etc.	<u>See comment above.</u>	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.	<u>Critical market power issue. SCC Staff is exploring ways to address this issue. It should be recognized that "must-run" status may change hourly, thereby, "identification" of such units will be very difficult.</u>	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 designation of such units for each utility.	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 price regulation.	Should not be addressed in legislation. Could be incorporated into Virginia public interest standards for ISOs discussed above.	-----			
• Minimum ISO size.	<u>See ISO comment above.</u>	Preference for all Virginia	<u>An ISO should be as large as</u>	No specific minimum size; leave	Large, regional ISOs	<u>No size should be specified.</u>	Large, regional ISOs	ISOs should be sufficiently	-----	-----	Should not be addressed in legislation.	Efficient ISOs must cover			<i>ISO should be a multi-state entity.</i>

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		utilities in same ISO with broad geographic dimensions and without transmission constraint between utilities.	<u>reasonably possible, and reciprocity among ISOs should be encouraged.</u>	that to evolution of market.	preferred	<u>Leave to market.</u>	preferred.	large in region to constitute the "region" that would be a regional power exchange <u>(RPX) and provide a viable, competitive market.</u>			Could be incorporated into Virginia public interest standards for ISOs discussed above.	geographic region larger than Virginia.			
• Eminent domain	<u>Certain aspects of this issue are being studied by CIB's special subcommittee. SCC Staff is assisting in this study.</u>	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>	<u>All aspects of the RPX are important and it is critical that the Commonwealth play a major role with respect to a number of factors.</u>	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.	<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 service alternative suppliers to serve retail		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	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.	-----			

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						customers.				balancing fees and penalties.					
• RPX Conformity to public interest standard	<u>See comment above.</u>	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.	<u>Legislation should be flexible and provide for the consideration of this issue in utility-specific competition plans.</u>	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>		<i>The Virginia Council Against Poverty does not favor bilateral contracts and are joined in this opinion by VMH, Inc. VACAP is concerned that bilateral contracts present the potential for cost shifting with regard to wires charges imposed to collect stranded costs and to fund public benefits programs. VACAP</i>		<i>No. Permit largest customers to bypass the market and to lock-up lowest cost power. Make it difficult to impose nonbypassable wires charges. If bilateral contracts are permitted, rate reductions for residential customers should be indexed to reductions in large customer rates through a "cap the gap" provision such as Connecticut's law provides. Customers</i>

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													believes that, if bilateral contracts are to be allowed, legislation must specify stranded cost and public benefits charges be recovered through a non-bypassable wires charge imposed at generation, and that the SCC must have the authority to very closely monitor these contracts which would be outside the strictures of the market.		with bilateral contracts would have to report contract terms to SCC staff to monitor the spread between rates of customer classes.
• Whether all sales should be made through RPX	<u>See comment above.</u>	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>	-----			Yes
• 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 cooperatives through an RPX could affect tax-	<u>Should be able to buy through RPX with existing bilateral contracts grandfathered.</u>	-----	-----	Should be same as all other providers of distribution services.	-----			

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							exempt status of cooperatives									
• Pricing of generation from must-run units	<u>Maintain state regulatory authority over must-run units.</u>	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.	-----	-----				<i>Must-run units have market power, regardless of who owns them. SCC should set rates at just and reasonable and affordable levels for any generation units not restrained by effective competition.</i>
<b>56-583; transmission and distribution of electric energy.</b>																
• Equality of treatment between incumbent utilities and new market entrants.		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. <u>This could include opening up territorial boundaries, service practices and issues related to facilities.</u>	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</del> transmission and 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,	ISO essential to furnishing comparable access by electric power providers to transmission and distribution systems owned by incumbent utilities.				

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<ul style="list-style-type: none"> <li>Continuation of eminent domain under SCC oversight.</li> </ul>	<p><del>Policy issues to consider:</del></p> <p>(i) <del>eliminate eminent domain for generation?</del> (ii) <del>broaden to include non-traditional transmission service providers?</del> (iii) <del>Available to any entity licensed to sell power?</del> (iv) <del>assign authority over power to SCC, local governing bodies, courts, etc.?</del></p> <p><u>Certain aspects of this issue are being studied by CIB's special subcommittee. SCC Staff is assisting in this study.</u></p>	SCC to continue eminent domain authority.		Concur with SCC staff comment to FERC that SCC/state will retain that authority over new transmission facilities after ISOs established.	Eminent domain, along with SCC oversight of transmission line siting should remain with state and utilities.	<u>Should continue for T&amp;D. Future generation should be treated as any manufacturing facility.</u>	SCC to oversee eminent domain concerning transmission and distribution rights of way.	Current structure should remain in place, but regional needs must be considered in siting new transmission facilities.	SCC should continue oversight over utility exercise of eminent domain authority.	-----	etc. 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.	-----				<i>SCC should continue oversight. Only monopoly regulated utilities should have access to eminent domain, not competitive entities.</i>
<ul style="list-style-type: none"> <li>Siting of merchant plants; role of SCC.</li> </ul>	<u>Recently amended § 56-265.2 is adequate at the present time.</u>	SCC to have diminished legal authority over authorization of such plants, but retains		Certificate of convenience & necessity should no longer be required; economics	Market forces will determine need for merchant plants; certification authority will likely	<u>Certificate of convenience and necessity should no longer be required; economics</u>	State should preserve its authority over plant sitings, but principal focus is on benefit to regional	Current structure for siting generation (whether merchant plants or other new generation)	SCC should have authority over siting, but it will not be necessary for SCC to oversee	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				



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		siting authority vis-à-vis eminent domain exercise.		should be determining factor. SCC/state/feds should retain siting and environment oversight, however.	remain with SCC.	<u>should be determining factor. SCC/state/feds should retain siting authority and environment oversight, however.</u>	power system. Va. has already shifted in that direction with merchant plant legislation adopted in 1998 session, i.e., amendments to 56-265.2	should remain in place.	need and economic aspects of competitive generation facilities.			longer require review, since their construction will represent a business risk.			
• Preservation of current IOU, cooperative and Muni distribution service territories.		Existing service territories to remain intact.		Current exclusive distribution territories should be preserved.	-----	<u>Current exclusive distribution territories should be preserved.</u>	Current incumbent distribution territories should be preserved	Territories should be preserved. Muni <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> .	Current incumbent distribution territories should be preserved	-----	Preserve existing territories; consolidation a future possibility.	Distribution should remain a monopoly service.			
<b>56-584. Regulation of rates subject to SCC jurisdiction.</b>	<u>All services, including generation, should be subject to regulatory price protection until a sufficient level of competition has developed</u>														

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	<i>to replace such regulation.</i>														
• services subject to regulation, and those subject to competition.	<u>Maintain flexibility to allow all services to become competitive . Maintain obligation of incumbent s to provide service on a regulated basis until competition is an effective regulator.</u>	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.	<del>Rates must be initially unbundled during transition period.</del> <u>Provision of generation services should be subject to competition , while delivery services will be regulated by state and federal agencies. Metering, billing and data management may be provided in competitive markets as well.</u>	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. Aside from generation deregulation , unbundling of metering, billing and other related distribution services should occur gradually. SCC to determine on a case-by-case basis.</u>	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>	<u>Making generation effectively competitive prior to deregulation is first priority. Other services could be found to be effectively competitive by the SCC.</u>
<b>56-585; licensure of</b>	<u>Policy Options:</u>	SCC to have full		All potential	<u>Suppliers of</u>	Supplier authorizati	Potential suppliers	No specific recommend	SCC should be	Licensing, bonding and	Power marketers	Licensing should	All generating	<u>All providers</u>	<u>All entities must be</u>

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<b>retail electric energy suppliers.</b>	(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. <u>Direct SCC to establish licensing/revocation process, applying legislative or SCC criteria.</u>	authority over licensing, financial responsibility, and determining practical ability to deliver services.		suppliers to be duly licensed and determined to be able to perform contracted services.	<u>generation services should meet licensure standards adopted and applied by the SCC for the purpose of assuring reliability and an affective marketplace.</u>	on 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.	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.	ations at this time, <u>but agree that customer protections must be put into place.</u>	responsible for licensing and financial filings. Licensing fees could help pay for public service/education campaign.	service standards necessary to afford customer protection.	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.	ensure that all customers have access to reliable and affordable electricity.	companies desiring to do business in the Commonwealth should be licensed and bonded.	<u>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>	<u>licensed and bonded by the SCC and meet minimum standards for capacity, service reliability, financial responsibility, and compliance with consumer protections. All entities must be required to offer service to every customer within its chosen service territory.</u>
<b>56-586; suppliers of last resort; default suppliers; backstop providers.</b>	Legislative options: (i) incumbent utility, short or long term, (ii) competitive bidding, or (iii) assign customers to competitive retail	SCC to have authority to determine supplier of last resort and default providers [options offered in submission]; backstop provider service provided via contract,		Incumbent utility should provide these services.	<del>Incumbent local service providers should provide these services.</del> <u>Incumbent utilities should serve as default suppliers to customer in</u>	Distribution utility should be default provider during 5-year transition period; thereafter, customers can choose distribution utility as their	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,	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	Incumbent may be default supplier during transition, but in a competitive market, this supplier should be established by random assignment or	<u>Crucial for the SCC to designate a supplier of last resort in each service area. SCC should examine possibility of putting the supplier of last resort</u>	<u>The SCC must designate a provider of last resort. Distribution companies must connect all customers to their chosen service provider. Redlining of customers by any electric service</u>

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	sellers in proportion to each seller's competitive market share.  Note: Legislature can decide on option, or give SCC discretion, applying legislative criteria. <u>SCC Staff is currently developing a proposal with respect to this issue.</u>	with backup power purchased through RPX.			<u>early stages of competition; the role of 'suppliers of last resort' or 'backstop providers' will be dependent upon market structure.</u>	generation provider, actively or by default.-			but made competitive (through a bid process) in a fully competitive market.			bidding and randomly assigned.	competitive bidding; Suppliers of last resort services should be subject to regulated rates.	<u>out for competitive bidding.</u>	<u>provider must be prohibited. All electric service providers should be able to serve as supplier of last resort through assignment or competitive bidding for that load. Early in transition, incumbent utility should provide basic services at regulated rates to all customers.</u>
<b>56-587; Voluntary aggregation permitted.</b>	<u>Should be encouraged.</u>	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. Allow 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>	<u>Voluntary aggregation must be permitted and encouraged in order for residential customers to benefit. Aggregation can be done by municipalities, cooperatives, or non-profit or for-profit entities.</u>
<b>56-588; metering, billing and other distribution services.</b>	<u>Maintain flexibility to allow these services to become competitive. Maintain obligation of</u>	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	Should not be competitive prior to full retail access market; could be made competitive	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</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-	Customer billing and meter reading should be considered for competitive services. May not be a	Distribution services should be opened to great competition, typically through bidding rather than		<u>Unclear. SCC should proceed cautiously in determining whether or not these services</u>	<u>SCC should determine when these services are effectively competitive before deregulation. No residential customer</u>

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	<i>incumbents to provide on a regulated basis until competition is an effective regulator.</i>				provided competitively	in the future.		<i>continue to be provided by the local distribution utility.</i>		case basis.	candidate for immediate deregulation.	through bilateral contracts. Funding clean and efficient energy must come through public benefits charges.		<i>should be open to competition</i>	<i>should be required to purchase a meter in order to but electricity. SCC should retain oversight of metering and billing and collection.</i>
<b>56-589; Consumer Protections and customer services; penalties.</b>	<i>Consumer protection and education are very important issues. The resolution of market power and long-term consumer rate protection are two core consumer issues. Adequate consumer protection will require strong penalties to ensure compliance with established rules. Consumer education should be directed by an independent party.</i>	-----		-----	-----	<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>	<i>Comprehensive consumer protections, minimum customer service standards, information disclosure requirements, standard billing and contract terms, rights and recourse are necessary. Consumer outreach and education campaign must be overseen by the SCC and include public and community-based organizations.</i>
<b>56-590. Public purpose programs.</b>		-----		-----	-----	<i>Should be separately funded by a non-</i>	-----	-----	-----	-----	-----	Advocates public benefits charges for	Wires charge needed to establish		A nonbypassable, nondiscrimin

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						<i>bypassable surcharge on all system users.</i>						energy efficiency and renewables programs.	fund for conservation, education and utility assistance for low-income consumers.		<i>atory, competitively-neutral wires charge imposed on all electricity suppliers including co-generation and collected by the ISO to fund conservation, education and universal service fund is necessary.</i>
<b>56-591. Transition costs and benefits.</b>	Range of options: (i) permitting <i>limited net stranded cost/benefit recovery</i> , as calculated by SCC; (ii) requiring <i>full net stranded cost/benefit recovery</i> , 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. <u>Transition costs should be shared by</u>	-----		-----	-----	-----	-----	-----	-----	-----		-----	-----		

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	<u>ratepayers and shareholders. If transition benefits exist, they should be shared as well.</u>														
<b>56-592. Nonbypassable wires charges.</b>	<u>Wire charges and/or exit fees may be required depending upon utility-specific circumstances.</u>	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>	<u>Should be imposed on all electric service providers, collected by ISO, and 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		<u>The SCC should be directed to investigate market power and order divestiture, if necessary. SCC should also encourage expansion of merchant plants and</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</u>				<u>Incumbent utilities should be required to divest their transmission and distribution systems so that competition can develop on a level playing field.</u>	<u>Require vertical divestiture. Functional separation is inadequate to prevent cross-subsidy, cost-shifting, and other anti-competitive practices. Divestiture is necessary to determine the</u>

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and mitigate market power abuse, (ii) encourage or require divestiture and maintain state <u>regulatory jurisdiction</u> over <u>must-run units</u> (or <u>rely on FERC</u> to regulate those units, or (iii) initiate customer choice and foster competitive market organizations and infrastructure. <u>Functional separation is required and divestiture, and/or requiring the cost-based sale of plant output, may be critical in helping to alleviate generation market power. Divestiture could also be used to help quantify stranded</u>			<u>distributed generation.</u>							<u>of customer information from utilities to affiliated marketers that the utility is not also willing to provide to other marketers.</u>				<u>Incumbent monopoly companies 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>	<u>true market value of generation assets claimed as "stranded."</u>



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	<i>costs and benefits.</i>														
• Divestiture to create a competitive generation market.	<u>See comment above.</u>	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>	<u>SCC should have authority to order divestiture to mitigate market power.</u>
• Functional separation of generation and distribution.	<u>See comment above.</u>	Generation, transmission and distribution should be functionally separated.		An appropriate issue for legislation; will probably occur naturally as a by-product of deregulating generation and establishing ISOs and RFXs.	-----	<u>Requiring functional unbundling into separate G, T &amp; D to facilitate competition is appropriate.</u>	Support functional separation.	If permitted, SCC oversight essential to ensure effectiveness, and prevent cost-shifting. FERC may need to undertake this role, as well.	-----	-----	-----	-----		<u>Do not support functional separation.</u>	<u>Ineffective to prevent anti-competitive tactics, self-dealing or cross-subsidy.</u>
• Relationships between suppliers or distributors and their affiliates.	<u>Policy options: (i) restrict related entities' transactions in common markets, or (ii) establish fair competition principles to be</u>	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	Codes of Conduct concerning functional separation with companies are generally not effective (in MEPAV members' experience), <u>and are not likely to</u>	-----	Code of conduct should regulate these relationships, but only to the extent necessary to prevent cross-subsidization and prevent flow of customer	Support codes of conduct to address these relationships.	Support strict rules barring certain transactions between affiliated generation, transmission and distribution companies.			<u>Strict rules on affiliate transactions necessary. Anti-trust laws must not be preempted by terms of state electric restructuring legislation and must be enforced.</u>

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	enforced by SCC. See <u>comment above.</u>						code of conduct for cooperatives	<u>be effective in the future.</u>		information from utilities to affiliated marketers.					
• Mergers and acquisitions		-----		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.	-----			<i>Regulators and the Attorney General must monitor concentration levels and correct market power resulting from mergers and acquisition within its jurisdiction to protect ratepayers, promote competition, or prevent anti-competitive actions.</i>
<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 during transition to a competitive structure.	<u>Supports such a task force during transition to 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 and deregulation.	-----	-----			<i>The General Assembly should continue the Joint Subcommittee to monitor implementation of electric restructuring and to provide the public opportunity to participate in policy development.</i>
• <b>Market Power</b>	<u>Maintain maximum state authority to address market power concerns. Until such concerns are fully</u>		<u>The SCC should be directed to investigate market power and order divestiture, if necessary. SCC should also</u>												

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	<u>addressed, deregulation of generating assets should not be considered.</u>		<u>encourage expansion of merchant plants and distributed generation.</u>												
• Mitigating market power associated with existing generation.	<u>See comment above.</u>	Allow and encourage construction of merchant plants and distributed generation.	<u>See above</u>	Such market power will be mitigated through (i) FERC oversight of market-based wholesale prices, and (ii) anticipated influx of merchant plants. <u>A large regional ISO will also serve to mitigate market power, and such an ISO will require FERC approval.</u>	<u>Market forces will drive additions to generation supply in response to price signals in the market. Market power associated with the quantity of generation will be addressed by the large regional nature of the ISO; market power related to transmission constraints requires effective mitigation measures prior to a competitive market being implemented.</u>	<u>SCC should monitor market to ensure that no participant is exercising undue market power.</u>	Generation in constrained areas should be sold only under regulated, cost of service rates.	<u>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.</u>	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.	<u>Divestiture will ensure that the incumbent utility has no more interest in the distribution and transmission system than does any other supplier.</u>	<u>Authorize SCC to order divestiture. SCC hold evidentiary proceeding and make affirmative finding of effective competition before deregulation of generation occurs.</u>
• Market power impact of existing generation sites as candidates for new	<u>See comment above.</u>	Encourage construction of merchant plants and distributed generation.	<u>See above.</u>	Va. Power and other IOUs do not own all possible sites for new	-----	<u>Allegheny owns no fossil-fired generation in Virginia. Is part owner of</u>	Issue is problematic, but state could develop licensing scheme for	-----	see above	-----	SCC should ensure that utilities and affiliates are not provided unfair market	-----		<u>See above.</u>	

Restructuring Issue	SCC	ALERT	Va. Committee	Va.Pwr.	AEP-Va.	Allegheny	Co-ops.	MEPAV	Wash. Gas	CNG	AOBA	SELC	VCAP	AARP	VCCC
incremental generation				generation —NUGs also have existing generation sites that could be expanded. Other sites may be suitable for constructing merchant plants.		<u>Bath County and minor hydro facilities. Therefore, it has virtually no control over potential generation sites or additions.</u>	unused space at existing generation sites				advantage due to ownership of or access to favorably-situated or cost-effective sites.				
• 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.	<u>See comment above.</u>	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	-----	-----	-----			
• Competition for default services	<u>Maintain flexibility to allow for competition, if feasible.</u>	-----		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	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.			<u>Default services should be competitively neutral, auctioned or assigned proportionally.</u>

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<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>Va. Power's long-term contracts are principally with cooperatives (wholesale) and localities (retail). Contracts are actually short-term. <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.	generation supplier. 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.	-----	-----	-----	-----	-----				Rate information should be reported to SCC to facilitate "cap the gap" rate protection for small customers.
<ul style="list-style-type: none"> <li><b>Miscellaneous comments.</b></li> </ul>	<p>—SCC concerned about generation sufficiency (capacity) in a competitive market, citing June</p>							-----			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				

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	<p>wholesale power price spikes.</p> <p>—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. <u>SCC Staff continues to be concerned about generation sufficiency and price volatility in competitive market.</u></p>											<p>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.</p>			