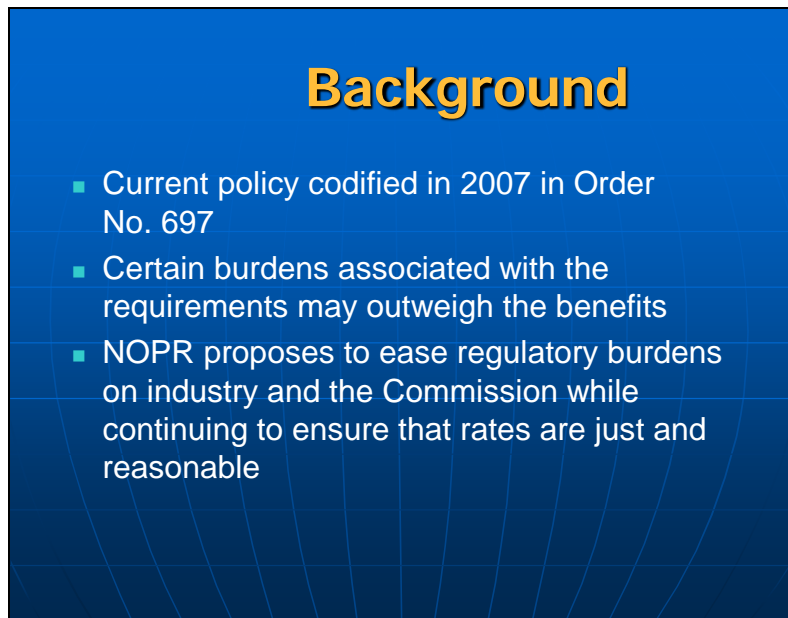




Refinements to Electric Market-Based Rate Program

Item No: E-6

Meeting Date: June 19, 2014



Background

- Current policy codified in 2007 in Order No. 697
- Certain burdens associated with the requirements may outweigh the benefits
- NOPR proposes to ease regulatory burdens on industry and the Commission while continuing to ensure that rates are just and reasonable

Good morning Acting Chairman LaFleur and Commissioners.

E-6 is a draft Notice of Proposed Rulemaking proposing to revise some of the Commission's regulations governing market-based rate authorization for wholesale sales of electric energy, capacity, and ancillary services by public utilities.

In 2007, the Commission issued Order No. 697, which codified the market-based rate regulations. Since that time, the Commission has processed numerous market-based rate filings and has determined that in some circumstances, the regulatory burdens may outweigh the benefits. The draft NOPR proposes certain clarifications and changes to the Commission's market-based rate program in order to enhance and improve processes and procedures. The clarifications and changes proposed in the draft NOPR primarily concern what information market-based rate sellers report to the Commission, and how they report it. The proposals are intended to ease regulatory burdens while continuing to ensure that the standards for market-based rate sales of electric energy, capacity and ancillary services result in sales that are just and reasonable.

Typically, a market-based rate filing consists of a new request for market-based rate authorization, an updated market power analysis, or a notice of change in status. The Commission, when analyzing these filings, considers whether the seller and its affiliates have, or have adequately mitigated, horizontal and vertical market power.

To assess horizontal market power, the Commission utilizes two indicative screens: the pivotal supplier screen and the wholesale market share screen.

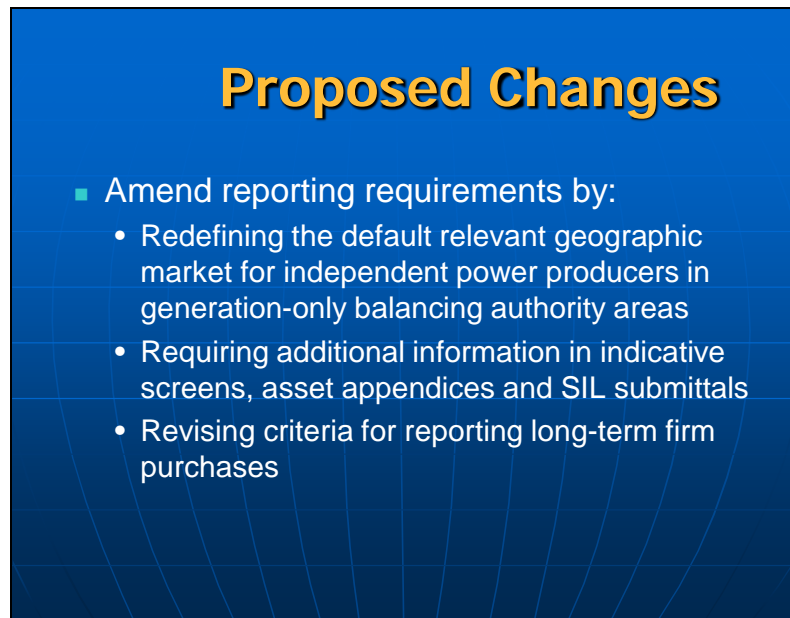
Proposed Changes

- Reduce burden on market-based rate sellers by:
 - Allowing sellers in RTO markets to rely on Commission-approved monitoring and mitigation in lieu of submitting indicative screens
 - Clarifying that sellers whose capacity is fully committed do not need to submit indicative screens
 - Removing the requirement to report sites for generation capacity development

The draft NOPR proposes to reduce burden by allowing sellers in regional transmission organization or independent system operator markets to address horizontal market power in a streamlined manner that would not involve the submission of the indicative screens if the seller relies on Commission-approved monitoring and mitigation to prevent the exercise of market power.

Additionally, the draft NOPR clarifies that where all generation capacity owned or controlled by sellers and their affiliates in the relevant balancing authority areas (including first-tier balancing authority areas or markets) is fully committed, sellers may explain that their capacity is fully committed in lieu of submitting indicative screens as part of their horizontal market power analyses.

The draft NOPR also proposes to reduce burden with respect to vertical market power by removing the requirement that market-based rate sellers file quarterly land acquisition reports and provide information on their control of sites for development of new generation capacity.



Proposed Changes

- Amend reporting requirements by:
 - Redefining the default relevant geographic market for independent power producers in generation-only balancing authority areas
 - Requiring additional information in indicative screens, asset appendices and SIL submittals
 - Revising criteria for reporting long-term firm purchases

Additionally, the draft NOPR proposes several other changes to reporting requirements. For example, it proposes to redefine the default relevant geographic market used to analyze market power for an independent power producer with generation capacity located in a generation-only balancing authority area.

The draft NOPR also proposes certain changes for preparing and submitting the indicative screens, asset appendices, and SIL submittals required for certain market-based rate filings. For example, the draft NOPR proposes to add rows to the indicative screens so that the screens will include additional information about a seller's remote generation capacity. The draft NOPR further proposes to require that the indicative screens and asset appendices be filed in a workable electronic spreadsheet format.

The draft NOPR also proposes that sellers report long-term firm purchases of capacity and/or energy in their indicative screens and asset appendices if the seller has an associated long-term firm transmission reservation.

Finally, the draft NOPR proposes other refinements and clarifications to the market-based rate program. These include a 100 MW threshold for reporting new affiliations and clarifying the distinction in determining the seller category status for power marketers and power producers. This concludes the presentation on E-6.