A Brief History of the Federal Power Commission, the Federal Power Act, the Federal Energy Regulatory Commission and the State of Play 2010 and Beyond

INTRODUCTION

The briefing will cover major elements of the Federal Power Act and Federal Energy Regulatory Commission Practice thereunder including the development and operation of electricity markets and their role in determining just and reasonable rates, the role and operation of the North American Electric Reliability Council in assuring reliable electric service, recent developments in compliance and enforcement of electricity market and reliability assuring rules and planning for, siting and development of new electric transmission and generation infrastructure.

OVERVIEW

I. Genesis of the FPC, and the Federal Water Power Act, a 1920 statute that set the stage for the regulatory milieu of today.

   A. FWPA of 1920, created the FPC, and established principle of federal regulation of hydroelectric projects, requiring developers to obtain licenses to construct and operate hydroelectric facilities on navigable waterways. (“Part I of the FPA”) Municipals and Cooperatives not exempt.

   B. Concern about monopoly power. Rates set by FPC, a form of environmental regulation and safety oversight; preference power, relicensing and other matters.

II. Federal Power Marketing agencies, DOE, TVA, BPA, etc.


   A. Part of New Deal regulatory structure, holding company issues in parallel.

C. FPA gives FPC authority to regulate wholesale transmission and sales; regulate rates and utility earnings, prescribe uniform system of accounts, control issuance of securities, approve mergers of regulated utilities, prevent interlocking directorates and to encourage voluntary interconnections and coordination of electric facilities. No jurisdiction over local distribution.

D. Sale at wholesale means sale of electric energy to any person for resale; electric energy held to be transmitted in interstate commerce of transmitted from a State and consumed at any point outside thereof;…; not distribution…

E. Exemptions for Cooperatives, munis,…

F. State regulation of electric and natural gas service began as early as the 1880s, with Statutes in place in most populous states by 1910. Initial statutes provided for limited State intervention in Company activities only upon Complaint from customers. Major revisions in State statutes generally occurred during the depression years (i.e. adoption of original cost valuation and more intrusive controls of utility activities) and in the mid to late 1970s (again adoption of more intrusive controls). A number of states have recently adopted statute amendments either to support major base load plant construction (i.e. CWIP, etc.) or to facilitate State planning and active involvement in retail and wholesale electricity markets.

IV. Big events began to force change… NYC blackout of mid-1960’s; development of nuclear power; development of large, highly efficient minemouth coal plants; energy crisis of 1970’s; awareness of dependence on imported oil; environmental regulation and NEPA; awakening to environmental issues.


FPC transformed into FERC, with additional responsibilities; natural gas regulation, PURPA, etc.


VII. Implementation led to sufficient new generation, particularly natural gas fired, being built. “Qualified facilities”, “small power production facilities”; NGPA and gas glut ensues following oil price decline; Clean Air Act enacted, more environmental regulation. Pressure for wheeling and interconnection ease ensues. Wall Street gets into the act; trading of natural gas, NYMEX, many other pressures and changes.

VIII. Administration changes, moves to deregulate begin in earnest.

X. Order No. 888, Order No 2000, and the world really begins to change!

XI. Thorough Overview of Restructuring, Creation of RTOs, Transmission developments

A. Status of Competitive Wholesale Electricity Markets

B. Status of Competitive Retail Electricity Markets

C. Origins of Competitive Electric Wholesale & Retail Markets

D. Seminal Orders Establishing Competitive Wholesale Electric Markets


F. Wholesale Market Characteristics

G. Retail Market Characteristics

H. Reliability Assurance in Competitive Electric Markets

I. Market Power Mitigation & Monitoring

J. RTO/ISO Role in Integrating Renewables, Demand Response & Environmental Sustainability into the Electric Grid

XII. Conclusions, Questions & Answers, Open Discussions – Possible Topics – Other Key Issues:

A. Reliability Following California and East Coast Blackouts; Creation of the ERO; Reliability Standards; Compliance

B. The decline and fall of Enron and the Fallout from it, market manipulation initiatives, enforcement and compliance, new major penalties for violations; FERC Enforcement Comes Back to Life!

C. The new transmission line need identified – NIETCs. Environmental considerations, cost allocations, planning, siting

D. Integration of Renewables, DSM, DR, etc. New demands and action for the Smart Grid