

## **FOR IMMEDIATE RELEASE**

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# **Council for Competitive Transmission Outlines Platform**

McLean, VA, March 4, 2002 – The Council for Competitive Transmission (CFCT) today publicly announced its platform for a competitive U.S. transmission market. Recent orders of the Federal Energy Regulatory Commission (FERC) have indicated support for transmission competition as a strong and viable method for improving the grid. On February 13, 2002, FERC expressed support for three merchant transmission projects, all excellent examples of competitive transmission at work. This support includes the authorization to make sales of transmission rights at negotiated rates. Jim Schretter, Council Executive Director, said, “Full competition in the transmission business is an idea whose time has come, as it will inject the entrepreneurial spirit into the system and create opportunities for greater improvement and reliability.”

It is the Council’s position that companies should be allowed to make use of market signals when evaluating investment decisions. These market signals are best communicated through locational marginal pricing a method by which the bid-based security constrained dispatch can be priced. This pricing would be tied to established and fully recognized property rights. Companies that put their capital at risk to build or improve the transmission system should have full access to unambiguous, long term, tradable financial transmission rights.

The Council believes the existence of Regional Transmission Organizations (RTOs), or similar such entities, is important to create a reliable and competitive climate. These organizations should administer transmission systems and handle functions such as coordination, operations, and planning. Decisions concerning the development of new transmission or solutions to transmission issues should be left to market participants, who would rely on market signals to determine where and how to improve the existing infrastructure. While RTOs will be fully informed of transmission issues, it is important that they allow the competitive process to occur in the marketplace and do not place greater favor on one solution over another.

While the Council supports a competitive framework for further upgrades and improvements to the transmission network, it also emphasizes the need to ensure reliability. The Council understands the concerns expressed by some parties that a competitive model could allow gaps in reliability to develop, and has developed measures to address these issues. To preserve a competitive model while preserving a safety net for reliability, the Council proposes a

regulatory solution wrapped in a competitive framework. The RTO should step in to resolve a transmission issue only when system reliability is in jeopardy and, for whatever reason, no market-driven projects (generation, transmission, or demand-side management) have come forward to meet the identified reliability need. This 'reliability backstop' to the market should be implemented via a competitive solicitation process. The RTO would select a qualified entity with the best proposal to meet the identified need through this competitive solicitation process. In cases where no solicitations are received, a builder of last resort would be selected to make the improvement. This builder of last resort would only be accessed when the market had failed to respond to both market signals and the RTO solicitation process.

Although the Council has advanced this strategy in order to allay long-term reliability concerns, it is the opinion of the members that this competitive solicitation process would rarely be implemented and, moreover, the selection of a builder of last resort would rarely, if ever, need to be used. Council members strongly believe that once an appropriate market structure is in place and we "get the prices right," market-driven proposals should provide needed investment to enhance both the reliability and competitiveness of the electricity system.

For more information on the Council for Competitive Transmission or its platform, contact Jim Schretter or Jamie Webster at Beacon Energy LLC by phone at 703-905-8110 or via e-mail at [JWebster@BeaconEnergy.com](mailto:JWebster@BeaconEnergy.com).

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#### Council Views

- 1) Electricity markets must provide accurate price signals and appropriate vehicles for recovery of investment
  - o Locational marginal pricing through bid-based, security-constrained dispatch
  - o Clear definition of property rights for transmission
  - o Full, unambiguous, long-term tradable financial transmission rights
- 2) There should be independent regional transmission system operators that perform system planning on a neutral, unbiased basis
  - o Competitive transmission can be developed within an RTO framework
  - o RTOs (or similar entities) would administer transmission systems (coordination, operation, planning), while the development of new transmission infrastructure (or alternative solutions) is left to market participants
  - o RTOs should remain neutral in selecting what method is used for system improvements (i.e., transmission, generation, DSM)

3) Within the framework of competitive transmission market, there is a need to ensure transmission system reliability in the event of a market failure (the 'Reliability Backstop' process)

- o Rely on the market to provide investments based on market signals in competition with other alternatives
- o System reliability needs that (for whatever reason) are not expected to be addressed through a market-driven investments in generation, transmission or other alternatives would be addressed on a competitive basis through an RTO-administered solicitation process
- o In the unlikely event that the RTO competitive solicitation process does not yield any responses, a transmission builder of last resort would be selected to implement any projects needed to maintain reliability