

ONE HUNDRED THIRTEENTH CONGRESS
Congress of the United States
House of Representatives
COMMITTEE ON ENERGY AND COMMERCE
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WASHINGTON, DC 20515-6115
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September 23, 2013

The Honorable Jon Wellinghoff
Chairman
Federal Energy Regulatory Commission
888 1st Street, NE
Washington, D.C. 20426

Dear Chairman Wellinghoff:

We understand that the Federal Energy Regulatory Commission is scheduled to hold a technical conference on September 25, 2013 to examine centralized capacity markets in regional transmission organizations and independent system operators (RTOs/ISOs). The stated purpose of this conference is to "consider how current centralized capacity market rules and structures are supporting the procurement and retention of resources necessary to meet future reliability and operational needs."¹ We support the Commission's timely examination of the important issues surrounding centralized capacity markets, and today we write to encourage the Commission to also consider the many other critical issues facing RTOs and ISOs, either as part of the capacity market proceeding or a separate proceeding.

It has been more than a decade since FERC issued Order No. 2000, which sought to promote and advance the formation of RTOs and ISOs.² Since the issuance of Order No. 2000, a number of policy, administrative and technological changes have affected the electricity industry. As such, and notwithstanding the Commission's previous efforts to establish performance metrics for RTOs and ISOs,³ we believe that it is time for a broader review of the

¹ FERC Staff Report, "Centralized Capacity Market Design Elements" (Aug. 23, 2013) (Docket AD13-7-000). The scheduling of this conference follows concerns raised by Commissioners on how best to address some of the challenges posed by capacity markets in organized wholesale electricity markets. See, e.g., *New England States Comm. on Elec. v. FERC*, 142 FERC ¶ 61,108 (2013) (Commissioner LaFleur concurrence stating that "I do believe it would be helpful for the Commission to consider on a generic basis, such as in a technical conference, the overall effectiveness of different capacity market designs in attracting capital, meeting challenges such as gas-electric interdependence, and accommodating different power supply choices.").

² *Regional Transmission Organizations*, Order No. 2000, 89 FERC ¶ 61,285 (1999).

³ See FERC Staff Report, "ISO/RTO Performance Metrics" (Oct. 21, 2010) (Docket No. AD10-5-000); FERC Report to Congress, "Performance Metrics for Independent System Operators and Regional Transmission Organizations" (April 2011).

experience with organized electricity markets, including an assessment of how best to ensure that consumers will continue to receive reliable electricity at affordable rates. We encourage the Commission to complete a careful, holistic examination of the performance of organized markets to determine how best to achieve the goals and objectives set forth in Order No. 2000, namely to “promote efficiency in wholesale electricity markets and to ensure that electricity *consumers pay the lowest price possible for reliable service.*”⁴

Such an evaluation should assess and address, at a minimum, the following issues, some of which would be appropriate for consideration at the upcoming September 25th technical conference:

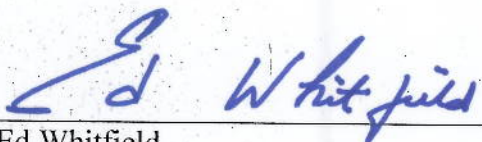
1. the functioning, effectiveness and flexibility of energy and capacity markets to ensure resource adequacy and facilitate cost-effective retention and development of needed generation;
2. the impact of energy and capacity markets on fuel diversity and grid reliability;
3. the equitable treatment of all generation resources and business models;
4. RTO/ISO governance and stakeholder processes;
5. natural gas and electric coordination, interdependency and the capability of markets to facilitate the development of needed natural gas infrastructure;
6. transmission operations and planning;
7. the integration of demand-side management services and technologies;
8. impacts on state and local resource planning;
9. the impact of existing and proposed environmental regulations on resource adequacy and grid reliability; and
10. customer benefits and protection.

We support open and competitive markets for commodities. To this end, we want to work with the Commission to ensure that restructured electricity markets operate pursuant to legitimate market forces and are not becoming mere administrative constructs dependent on an increasing amount of Commission-approved rules and processes.

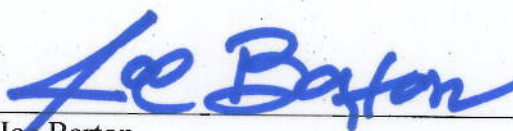
We encourage you to draw upon the skill and expertise of FERC and the industry at large and commence a series of additional technical conferences or other means of review to evaluate these issues. We stand ready to help and encourage you to keep our staffs informed on the Commission’s progress.

Sincerely,

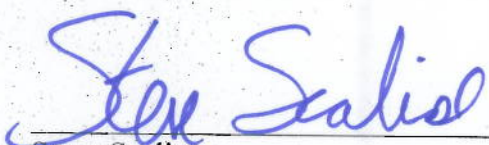
⁴ *Regional Transmission Organizations, Order No. 2000, 89 FERC ¶ 61,285 at 1 (1999)* (emphasis added) (“Thus, we believe that appropriate RTOs could successfully address the existing impediments to efficient grid operation and competition and could consequently benefit consumers through lower electricity rates resulting from a wider choice of services and service providers. In addition, substantial cost savings are likely to result from the formation of RTOs.”). *Id.* at 3-4.



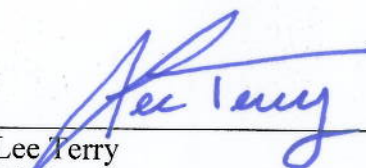
Ed Whitfield
Chairman
Subcommittee on Energy & Power



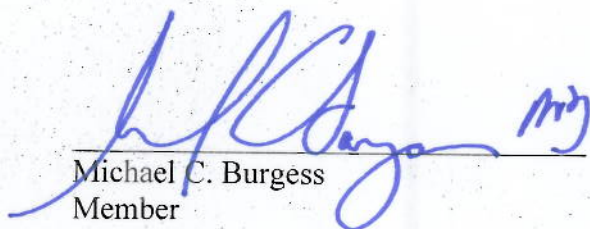
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Vice Chairman
Subcommittee on Energy & Power



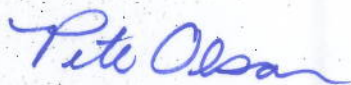
Lee Terry
Chairman
Subcommittee on Commerce, Manufacturing &
Trade



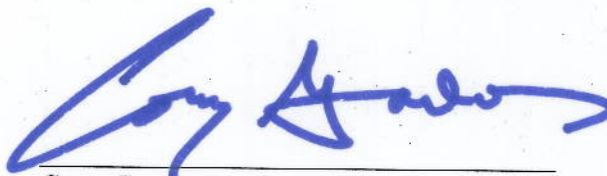
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Member



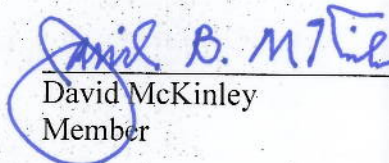
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Pete Olson
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Cory Gardner
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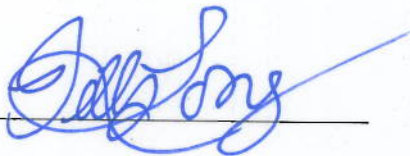
David McKinley
Member



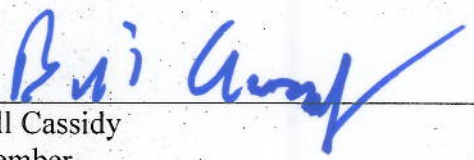
Morgan Griffith
Member



Adam Kinzinger
Member



Billy Long
Member



Bill Cassidy
Member

cc:

The Honorable Philip D. Moeller
Commissioner, Federal Energy Regulatory Commission

The Honorable John R. Norris
Commissioner, Federal Energy Regulatory Commission

The Honorable Cheryl A. LaFleur
Commissioner, Federal Energy Regulatory Commission

The Honorable Tony Clark
Commissioner, Federal Energy Regulatory Commission

The Honorable Henry A. Waxman, Ranking Member

The Honorable Bobby Rush, Ranking Member
Subcommittee on Energy & Power