

Transmission Planners Should Consider Market Structures, Federal-State Policies: EISPC Report

WASHINGTON—Market structures, federal and State policies, and transmission incentives could impact transmission planning throughout the Eastern Interconnection, a new report concludes.

The [report](#), produced for the Eastern Interconnection States' Planning Council (EISPC), urges policymakers in the 39-State Eastern Interconnection to consider whether and how these issues affect private investment and grid planning. The "Market Structures and Transmission Planning Processes in the Eastern Interconnection" report was produced for EISPC by Christensen Associates Energy Consulting.

EISPC is a collaboration of government agencies in all 39 States, along with the District of Columbia, and New Orleans, that make up the Eastern Interconnection. It is funded by a grant within the American Recovery and Reinvestment Act of 2009. The report is the first white paper produced for the EISPC project.

In the report, Christensen Associates details the market structures throughout the 39 States and discusses how differences could affect private investment and State approaches to planning and resource development.

For example, the report notes there are two "fundamentally different market structures" within the Interconnection: the traditional structure, and the RTO structure. Both ensure reliable electricity service, but the power is managed in distinct fashions. The traditional structure is built around vertically integrated utilities offering generation, transmission, distribution, and system operation as a single package, while in the RTO structure, generation and transmission is managed and coordinated by an independent third party, the Christensen Report said.

The report does not make recommendations or preferences for any particular market structure. Instead, it recommends that EISPC address a series of questions that will help inform and guide the States in policy decisionmaking. These questions include:

- What planning rules and market structures actually induce investment in generation resources and participation by demand-side resources?
- What will be the likely effect of the Environmental Protection Agency's environmental regulations on state Renewable Portfolio Standard (RPS) and energy efficiency resource standard (EERS) policies and on State implementation of integrated resource plans?
- What will be the likely impacts of Federal Energy Regulatory Commission Order No. 1,000 on State RPS and EERS policies, State authority over transmission projects, and State authority over integrated resource plans?

According to EISPC President Doug Nazarian, chairman of the Maryland Public Service Commission, the paper will be a useful resource for the transmission planning process as it progresses. It will be a "living document," he said, that will be updated as State and federal policies

are changed. Interested parties engaged in the EISPC process are invited to submit market-structure changes as they occur, he said.

“At its core, the Market Structures Whitepaper recognizes that, regardless of the nature of retail regulation, all States within the Eastern Interconnection depend on a reliable and efficient wholesale power market structure,” he said. “A better understanding of the interactions between the wholesale and retail power markets is essential to influencing policy decisions that will benefit the States that comprise the Eastern Interconnection States’ Planning Council.”

President Nazarian also thanked the U.S. Department of Energy, which provides the funding for EIPSC and this report. “EISPC gratefully acknowledges the funding opportunity provided by the Department of Energy that made this Whitepaper possible,” he said. “We also acknowledge the generous assistance of the utilities throughout the Eastern Interconnection, State commission personnel, including those on EISPC’s Studies and Whitepaper Work Group, representatives of the National Laboratories, and others within the Eastern Interconnection that reviewed this Whitepaper and offered suggestions to ensure its accuracy.”

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NARUC is a non-profit organization founded in 1889 whose members include the governmental agencies that are engaged in the regulation of utilities and carriers in the fifty States, the District of Columbia, Puerto Rico and the Virgin Islands. NARUC's member agencies regulate telecommunications, energy, and water utilities. NARUC represents the interests of State public utility commissions before the three branches of the Federal government.

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