

STANDARDS FOR LONGER-TERM POWER MARKETS

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Prolog

“... Can’t see the forest for the trees.”

The *forest* = “*The big picture*”, or just and reasonable rates based upon the most rational use of all available resources considering reliability and economics.


The *trees* = “*The details*”, or special interests such as: jurisdictional battles, shareholder vs. ratepayer benefits, market manipulation fears, obligation to serve, etc.

Outline

- I. Why Longer-Term Markets Are Important
- II. Role for Competitive Solicitations
- III. Assuring a Credible Solicitation
- IV. Choosing a Solicitation Format and Product Types
- V. Fair and Accurate Bid Evaluation
- VI. Conclusions



STANDARDS FOR LONGER-TERM POWER MARKETS

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- I. Why Longer-Term Markets Are Important
 - A. Shorter-term crucial for liquidity
 - B. Longer-term markets
 - provide 85% to 95% of power needs
 - C. Long-term consequences of flawed design

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II. Role for Competitive Solicitations

- A. Getting the best deal for ratepayers
- B. Modernizing prudence standard at states
- C. Satisfying *Edgar* standard at FERC



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III. Assuring a Credible Solicitation

A. Planning based upon Reliability *and* Economics

B. Product design based upon Planning

C. Evaluation Criteria

- Relevant
- Consistently applied
- Objectively Measured
- Transparent to all potential participants



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III. Assuring a Credible Solicitation

C. Independent Monitor

- Hired by state commission
- Full access



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IV. Choosing a Solicitation Format and Product Types

A. Format

- Auction
- RFP

B. Product Types

- Standard product
- Asset backed

C. Potential Biases



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V. Fair and Accurate Bid Evaluation

- A. Comparability
- B. Network Resource
- C. Credit Standards
- D. Cost Plus Offers
- E. Unequal Lives
- F. Balance Sheet Penalty



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VI. Conclusions

- A. All about best deal for ratepayers
- B. Accurate, credible, transparent solicitations
- C. Transparency, especially in prices, is critical to the ultimate success of competitive markets

