

# THE ENERGY MARKETPLACE

Opportunity Through Adversity

# Opportunity Through Adversity

- “Our goals continue to be reliable, reasonably priced electric service for all customers; sufficient electric infrastructure . . . technological innovation; and efficient use of the nation’s resources.”
- “Wholesale electricity markets do not automatically . . . fix themselves when broken.”

FERC White Paper p. 1, 4/28/2003

# Opportunity Through Adversity

- FERC Policies before the Blackout of 2003
  - Open access rules
  - New approach in Order No. 2000 not really tried
  - Standard Market Design rules
  - WMP rules
  - Interconnection rules

# Opportunity Through Adversity

## ■ The Adversity:

- Blackout of 2003 affected 50 million people in 8 States and more in Canada at a cost of \$1 billion to New York City alone and \$20 million to Long Island
- Major disruption and inconvenience
- Law suits?

# Opportunity Through Adversity

## ■ Pointing Fingers

- We need a more coordinated grid
- We need a more isolated grid
- We need a larger-sized grid
- We need a smaller grid and rely more on distributed generation and similar policies

# Opportunity Through Adversity

## ■ Pointing More Fingers

- The operators failed to act quickly and should have cut off the problem sooner
- The operators obeyed the rules that forced them to act too quickly and shut down too soon

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## ■ After the Blackout

- “The Administration urges . . . provisions to . . . Expedite investment in transmission infrastructure; provide incentives for more efficient and advanced transmission technologies; and ensure regional coordination. . . .” Talking Points on August 2003 Blackout, White House Office of Communications, 8/20/2003

# Opportunity Through Adversity

## ■ The opportunity

- Create a viable transmission business
- Let the market decide how to proceed on restructuring
- Back to the future with incentives from Order No. 2000
- Business to business negotiations for performance-based rates