

**North American Energy Standards Board  
Board of Directors Meeting  
December 11, 2014**

# What to Expect

- **Regulatory lawyer and newsletter publisher**
- **Not a NAESB expert**
- **Twenty-six years with Gulf, Chevron, Natural Gas Clearinghouse/Dynegy before going into private practice**
- **The Cruthirds Report focuses on state issues in the Southeast & Midwest – not ERCOT**
- **Roots in merchant sector (Dynegy) but now champion of fair play and political/regulatory integrity**

# Strong Supporter of Competition

- **Golden rule – treat others as you treat yourself**
- **Orders 636, 888, etc. – Worked in gas, but not so much in power**
- **Affiliate rules essential despite inconveniences**
- **Structural separation much better – Federal Trade Commission, Department of Justice have better approaches**

# State Regulatory Environment

- **Very challenging because of politics, murkiness and influence of incumbents**
- **Often results in poor results for consumers – McIntosh, Kemper**
- **Very difficult environment for new entrants, which inhibits innovation, new products/services, etc.**
- **Entergy's decimation of thriving merchant sector – “market foreclosure strategy”**
- **FERC and states were ineffective – Department of Justice forced to step in**

# Gas-Electric Interdependencies

- **Huge issues NAESB and both industry's struggling with**
- **Major problems with short-term markets as well as well as long-term issues with building new pipeline capacity to serve RTO markets and merchant generators**
- **Integrated utilities like Southern Company, Entergy, Florida Power & Light can put cost in rate base**
- **All sides have legitimate issues – pipelines, LDCs, firm shippers, merchants, RTOs**
- **Something has to give – more flexibility needed on all sides**

# Generation Choices Very Difficult

- Cheap & dirty or clean & expensive
- Coal – Very difficult for existing plants and almost impossible for new plants due to EPA rules; low natural gas prices have hurt coal dispatch
- Natural gas winning – but gas-electric issues and future of fracking cause concerns
- Nuclear – Great fuel & technology but very, very expensive; waste disposal issues persist
- Wind & solar – Show promise but not clear how they'd do without Production Tax Credits
- Transmission – Substitute for generation, but pits regulated product versus competitive product
- Storage – Could be a “game changer” if economically and technically feasible

# Miscellaneous Issues

- **MISO-SPP “seams” dispute – MISO clearly at fault. Overplayed its hand and market screwed up & consumers hurt as a result**
- **Standard Market Design – Pat Wood and FERC had a great concept. Many of today’s problems could have been avoided.**
- **Wild cards – Cyber security; solar storms**
- **Independent transmission – Will they meet the same fate as merchant generators?**
- **Scott Hempling’s essays**

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