



**Federal Energy Regulatory Commission
June 21, 2007
Open Commission Meeting
Statement of
Commissioner Marc Spitzer**

**Item E-3: Wholesale Competition in Regions with Organized Electric Markets
(Docket Nos. AD07-7-000 and RM07-19-000)**

"Since the late 1970's, it has been Congressional policy and, therefore, the policy of this Commission, to foster competition in the wholesale electricity market. I am a supporter of competition and I believe the policies this Commission has adopted to implement Congress's clear pro-competition directives have benefited consumers.

Yet, over the past year this Commission has heard from various segments of the industry that competition, particularly in the organized markets, is not working. For example, we have heard that prices in the organized markets have risen faster and higher than in the non-RTO/ISO markets. We also have heard from both buyers and sellers of power that they cannot enter into long-term contracts, which are useful means to hedge against the volatility of the short-term markets. We also have been told that stakeholders question whether the market monitors of the RTOs and ISOs are effective in ferreting out improper behavior.

Today's action demonstrates that the Commission has listened to those concerns and that we are taking steps to evaluate and to address them where we can in the organized wholesale electric markets.

In today's ANOPR, the Commission makes certain proposals and also poses a variety of questions designed to enhance competition in organized markets.

One of the key issues raised is long-term contracting. In sum, the ANOPR seeks information as to what the Commission may do to encourage long-term contracts. I continue to believe that long-term contracts, as well as enforceability of contractual provisions, are critical to the stability of the wholesale electric markets. For example, it is difficult to encourage entities to build much needed infrastructure, including fostering renewable resources, if those parties are unable to enter into enforceable long-term contracts. Therefore, I look forward to hearing from all segments of the industry as to what we can do to encourage parties to enter into long-term contracts.

Another issue addressed is demand response. The ANOPR includes several proposals to ensure that demand resources, including retail demand resources, are treated comparably to traditional supply resources in the provision of energy and certain ancillary resources in the organized markets. For example, the ANOPR recognizes that retail consumers and aggregators of retail load may not participate in the organized wholesale markets today as demand resources because certain rules or technical requirements act as barriers to their participation. Today's ANOPR seeks to remove these barriers so that retail consumers and aggregators of retail load in organized markets can offer demand response as an alternative resource.

A major point in the ANOPR is to require RTOs and ISOs to develop certain mechanisms that will allow retail demand resources to offer demand response service in a manner comparable to the services offered by traditional supply resources. By ensuring that all resources are treated comparably, supply is driven by market principles rather than by command and control directives. I support demand response because I believe that a properly designed demand resource program will help to dampen down wholesale power prices, increase awareness of

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energy usage, provide for more efficient operation of markets, and enhance reliability. Further, attention to the demand side affords government and industry the moral authority to enhance energy supply through necessary exploration, production and infrastructure. Therefore, I look forward to reviewing the comments on the demand response proposals, including remarks on the steps we need to take to ensure that all resources receive comparable treatment in the organized markets.

Finally, the ANOPR raises certain issues with regard to the independence of market monitors and the responsiveness of RTO and ISO boards. I have an open mind on the significant issues that must be addressed to ensure organized markets are true markets that are operated for the ultimate benefit of consumers. I will therefore be particularly attentive to comments on these issues. Finally, I wish to reiterate my support for competition in bilateral markets, although outside the scope of this specific proceeding.

For the foregoing reasons I support the ANOPR."