

# **FY 2003 CONGRESSIONAL BUDGET REQUEST AND ANNUAL PERFORMANCE PLAN**



**FEDERAL ENERGY REGULATORY COMMISSION  
FEBRUARY 2002**

**Pat Wood, III  
Chairman**



# Federal Energy Regulatory Commission

## Vision

Dependable, affordable, competitive energy markets support a strong, stable national economy

## Mission

The Federal Energy Regulatory Commission regulates and oversees energy industries in the economic and environmental interest of the American public.

## ★ Values

***Employees*** – People are our most valued asset. We provide the support needed for all employees to excel.

***Integrity*** – We maintain the highest level of professionalism and an environment of fairness, trust, respect, and honesty.

***Diversity*** – We value diversity in people and ideas.

***Working Together*** – We clearly communicate expectations, encourage cooperation and teamwork, and share responsibility.

***Progress and Innovation*** – We are creative and flexible, and seek out opportunities to improve.

***Action*** – Prompt and fair resolution of matters before the Commission is essential to our mission.

***Reaching Out*** – Two-way communication with the public is key to our effectiveness.

***Public Service*** – Our ultimate objective is to provide valued services to the public.



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# INTRODUCTION

**Budget Request:  
\$199.9 Million,  
1,250 FTEs**

The Federal Energy Regulatory Commission (Commission), requests funding of \$199,928,000 and 1,250 FTEs for FY 2003. The funding request includes the agency’s full share of accruing employee pensions and annuitant health benefits beginning in FY 2003, per the Administration’s proposed legislation. In the table below, the impact of the proposal is applied to all three years for comparative purposes. The request also includes \$7 million and 50 FTEs to enhance the Commission’s market oversight and investigation capabilities, and funding to cover the projected cost-of-living increase for employees.

## Resources by Program (Dollars in Thousands)

Program	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request	% (+/-) FY 2002 to FY 2003
<b>Energy Infrastructure</b>				
Funding	\$55,150	\$58,843	\$61,690	4.8%
FTEs	468	480	500	4.2%
<b>Competitive Markets</b>				
Funding	\$18,195	\$20,011	\$21,134	5.6%
FTEs	175	180	188	4.4%
<b>Market Oversight</b>				
Funding	\$24,323	\$26,679	\$28,106	5.3%
FTEs	234	240	250	4.2%
<b>Resource Management</b>				
Funding	\$80,856 <sup>1</sup>	\$86,524	\$88,998	2.9%
FTEs	292	300	312	4.0%
Total Budget Authority for Operating Expenses				
Funding	\$178,524	\$192,057	\$199,928	4.1%
FTEs	1,169	1,200	1,250	4.2%
Application of Prior Years' Authority	\$4,486	\$0	\$0	N/A
<b>Budget Authority</b>	\$183,010	\$192,057	\$199,928	4.1%
Offsetting Receipts	(\$183,010)	(\$192,057)	(\$199,928)	N/A
<b>Net Budget Authority</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>N/A</b>

This budget request presents funding and FTEs in terms of the Commission’s four new challenges or goals, as explained below. The requested resources are broken out by industry in Appendix C. This request does not reflect any requirements that would result from potential changes to the Commission’s statutory authority.

### Full Cost Recovery

We recover the full cost of our operations through annual charges and filing fees assessed on the industries we regulate. We deposit this revenue into the Treasury as a direct offset to our appropriation, resulting in a net appropriation of \$0.

<sup>1</sup>Funding for Resource Management includes information technology costs and rent.

## A New Way of Operating

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### Background

In the aftermath of the electricity crisis in the Western United States, we comprehensively revised our Strategic Plan. We are now developing a comprehensive Business Plan that aligns all of the activities we undertake with the new Strategic Plan. This budget request reflects the change in strategic direction outlined in the new Strategic Plan.

California was among the first states to open its electric industry to competition, opening a restructured market in 1998. Until June 2000, California's electric markets appeared to work well. However, California's flawed market rules failed to send generators signals to build new capacity, even while the state experienced rapid economic growth. The lack of new capacity made the California market vulnerable. In 2000, a series of other conditions exposed that vulnerability: a severe drought curtailed hydropower; demand-side response was virtually non-existent, partly because of fixed retail rates; and a hot summer followed a cold winter. The balance between supply and demand tightened, and electric prices rose dramatically.

We acted to mitigate the sharp price increases of electricity and natural gas in the Western states. These measures provided customers with relief from the most extreme spot market prices. We also removed a series of regulatory obstacles to expedite providing increased energy supplies to the West. Since June 2001, electric prices have dropped to normal levels and below, throughout the West, and remained there. Several factors led to this result: reduced demand, relatively mild weather, increased supplies, and our price mitigation. Nonetheless, it is abundantly clear that market crises can erupt quickly, especially in electricity. If not prevented or treated quickly, they can do enormous damage.

Given the experience of Western energy markets, it is now clear that our primary emphasis must be to facilitate a full transition to competitive wholesale energy markets as soon as possible, and to address crucial issues that arise during the transition. Our most important responses are:

- **A New Sense of Focus and Direction.** This is embodied by our new Strategic Plan, which forms the structure for both this budget and our efforts in the future.
- **An Increased Emphasis on Market Oversight and Investigation.** This is embodied in the third of our four challenges, discussed below.



## A New Strategic Plan

The new Strategic Plan lays out challenges, or goals, in four areas:

- 1. Energy Infrastructure.** Goal: Promote a Secure, High-quality, Environmentally-responsible Energy Infrastructure Through Consistent Policies. This goal will encourage investment in the infrastructure needed to sustain energy markets by removing roadblocks, providing cost recovery clarity, and welcoming innovative thinking about rates and use of new technology. By focusing on infrastructure, this goal covers many of the Commission's important traditional responsibilities, for example, pipeline certificates, hydropower licenses and preliminary permits, compliance activities, environmental and other licensing conditions, dam safety inspections, and most rate determinations.
- 2. Competitive Markets.** Goal: Foster Nationwide Competitive Energy Markets as a Substitute for Traditional Regulation. This goal focuses on our need to complete the transition to competitive energy markets as quickly and comprehensively as possible. This will require the growth of many new institutions, particularly clearly defined and independent regional transmission organizations (RTOs), to make electric markets work. We also need to establish standardized market designs that will apply in every wholesale electric market, and encourage continued efforts by industry groups to standardize reliability and business practice standards, promote the use of demand-side participation in energy markets, and establish regional transmission planning. Along with some traditional work in the area of rate determinations, this goal furthers work on initiatives begun in the last couple of years such as RTOs and new policies for natural gas.
- 3. Market Oversight.** Goal: Protect Customers and Industry Participants Through Vigilant and Fair Oversight of the Transitioning Energy Markets. This goal will ensure that competitive energy markets benefit the Nation over the long run. We are establishing a new office to coordinate all market oversight and investigative activity. We need a much stronger ability to recognize and respond to problems in the markets. At the systemic level, we need to recognize problems when – or before – they develop and craft solutions quickly. We must also be able to police individual behavior in markets much more effectively than in the past. Work toward this goal also includes more traditional work, such as some aspects of litigation, dispute resolution, complaints, mergers, and auditing.
- 4. Resource Management.** Goal: Efficiently Administer the Agency's Resources to Accomplish the Agency's Goals. We will be unable to meet our programmatic challenges without management support. This includes enhancing the talents and skills of the staff through recruitment and training, building effective, customer-friendly information technology (IT) services, supporting the Commission with logistics and

financial services, and strengthening our strategic management processes. This goal also covers our communication, outreach, and collaboration efforts. The requested funding for this goal includes major expenses such as rent and IT equipment.

**Additional Resources Requested for Market Monitoring and Investigation**

A successful transition to competitive energy markets will require an enhanced effort to prevent severe market malfunctions and the exercise of market power, and to respond quickly to problems that arise. It is now clear that these efforts are especially important during the transition period when markets are coming into existence. This budget request includes an additional \$7 million and 50 FTEs to develop and enhance our market oversight and investigation capabilities. Chapter 3 details how we will use these extra resources and discusses appropriate performance measurements for the function.

**Overview of the Document**

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The next four chapters detail plans to meet each of the goals in the Strategic Plan. Each chapter contains a discussion of goals and objectives and projected performance measurements. Our performance plan for FY 2003 is presented as an integral part of these chapters. A series of appendices provide further details.

# CHAPTER 1: ENERGY INFRASTRUCTURE

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## Promote a Secure, High Quality, Environmentally Responsible Infrastructure Through Consistent Policies

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### Operating Expenses

(Budget Authority Dollars in Thousands)

	FY 2001 <u>Actual</u>	FY 2002 <u>Estimate</u>	FY 2003 <u>Request</u>
FTEs	468	480	500
Funding	\$55,150	\$58,843	\$61,690

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## Introduction

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Competitive energy markets depend on having a secure, high quality and environmentally-responsible infrastructure. The United States must encourage rapid, flexible infrastructure construction to meet market and operational demands. Adequate infrastructure helps make competitive markets work by:

- reducing barriers to entry;
- allowing choice from multiple supply sources;
- better matching demand and supply;
- improving access to low-cost resources;
- encouraging price responsive markets; and
- fostering innovative new services.

In addition, natural gas and electric markets need to have excess capacity because both markets can be subject to rapid, large price increases and market power abuses when demand approaches supply limits.

Our role is to provide consistent policies that promote needed infrastructure development. We have five main objectives to meet this Challenge:

- Remove roadblocks impeding market investment
- Provide clarity of cost recovery to infrastructure investors
- Proactively address landowner, safety and environmental concerns
- Stimulate use of new technology
- Promote measures which improve the security and reliability of the energy infrastructure

## **Objective 1.1: Remove Roadblocks Impeding Market Investment**

Sufficient supplies of energy and a reliable way to transport those supplies are necessary to develop competitive markets. Without these, some suppliers will not be able to enter the market, customers will have limited choices, and prices will be needlessly volatile. To remove roadblocks that impede investment, we will use the following strategies:

### **Ensure That Sufficient Supplies of Energy Are Available to Provide for Competition to Succeed.**

The Commission learned from California and other markets that electric markets can quickly become dysfunctional when demand approaches supply. Without sufficient excess supply, the market is also vulnerable to manipulation. Having a reasonable supply reserve is essential for competitive markets to work.

Although we have no direct jurisdiction over the development of electric generation capacity or natural gas reserves, we do have jurisdiction over how the markets for these products operate. We will ensure that markets have mechanisms for developing sufficient excess supplies to avoid market disruptions. Many approaches to this issue are possible. In the Northeast, the industry pays extra for installed generation capacity, while the State of Texas is relying almost exclusively on market forces to provide needed capacity. We will explore and evaluate all relevant proposals from interested parties and adopt programs that work.

### **Identify Transmission and Pipeline Projects with High Public Interest Benefits and Facilitate Their Speedy Completion.**

For competitive markets to develop, adequate transportation is necessary to deliver the supply to where demand exists. Inadequate transportation creates geographic price differences, price volatility, and barriers to market entry and can undermine reliability. Adequate transportation allows a choice of suppliers and, in turn, the market will stress customer service, price competitiveness, and new services. All customers will benefit.

We authorize certificates for construction of natural gas pipelines and storage facilities. We have moved aggressively to cut the amount of time it takes to certificate projects. We are taking a more proactive role to identify where major new or expanded pipelines and storage facilities are needed. Although we have no direct authority over the siting of electric transmission lines, we will identify where additional electric transmission capacity is needed. We are holding a series of conferences (starting November 1, 2001, for Western states and January 2, 2002, for Eastern states) to identify regional natural gas and electric infrastructure needs, the barriers to expansion, barriers to infrastructure construction, and the steps needed to remove these barriers and enable new construction. We analyzed the most significant electric transmission constraints and the costs to customers of these infrastructure problems. We will work with

the states and other interested parties to determine the best course of action both for pipelines and electric transmission lines.

**Standardize Interconnection of Power Generation Plants of All Sizes and Technologies.**

One major potential barrier to obtaining adequate generation supplies is the lack of a standard, expeditious way to connect to the transmission grid, because plants are not built if they have no economical means to deliver their power. Standardized interconnection will encourage needed investment, remove incentives for transmission owners to favor affiliated generation, and encourage efficient generation and transmission siting decisions.

In October 2001, the Commission issued an advance notice of proposed rulemaking (ANOPR) proposing a standardized interconnection agreement and procedures for transmission owners. The ANOPR establishes two phases: Phase 1 will address service terms and conditions and develop a standard interconnection agreement and procedures, and Phase 2 will address cost responsibility. We are working with interested parties to assist them to reach consensus on a standardized agreement or to identify options where a consensus is not reached. Shortly after the consensus process is finished, we anticipate issuing a notice of proposed rulemaking (NOPR) for comment in the spring of 2002, and then addressing cost responsibility.

**Strengthen Inter-agency Coordination on Hydropower Licenses to Shorten Processing Time Lines.**

Hydropower is an important component of the Nation's energy supply and is necessary for efficient, competitive electric markets. Hydropower provides not only electricity but also other products, such as reserves and ancillary services that support a fully competitive market.

The biggest barrier to quicker action is the multiplicity of agencies involved. We are working with other agencies to shorten processing times. Interagency Task Force (ITF) representatives from the Departments of Commerce, the Interior, and Agriculture, along with the Commission identified reforms to improve the licensing process. In a May 2000 Joint Statement of Commitment, the agencies agreed to implement the reforms through the Interagency Hydro Committee (IHC). The IHC is monitoring the implementation and addressing remaining issues that the ITF was unable to resolve.

**Expedite Gas Pipeline Certificate Process, Consistent with Due Process.**

A robust natural gas pipeline infrastructure is critical for the reliability of the Nation's energy supply and for competitive market development. To meet the growing demand for natural gas, we must respond quickly to the need to expand existing and construct new pipelines and related facilities.

To process cases expeditiously, we set tight case processing time targets and clearly define our expectation of applicants and other parties. For

FY 2003, we set even tighter time targets. We may be devoting time to processing applications for an Alaskan natural gas pipeline.

We are also helping gas pipeline applicants to understand better our regulatory processes and needs and the steps they can take before filing with the Commission to improve the quality of the project, reduce public opposition, and improve the likelihood of regulatory approval.

## **Objective 1.2: Provide Clarity of Cost Recovery to Infrastructure Investors**

Competitive energy markets depend on the monopoly services provided by the underlying transportation infrastructure – natural gas pipelines and electric power transmission lines. To support competitive energy markets, our policies toward regulated monopoly services must:

- Give transportation infrastructure investors confidence that they have the opportunity to recover their costs and make a fair return on their investment.
- Give competitive energy market players (generators, gas producers, traders, demand aggregators) reasonable certainty about the costs they will bear for transportation and about future terms and conditions that affect access to transportation.
- Give transportation owners the right incentives to provide customers with better services, lower costs, or both.

These three needs provide the basis for our strategies to meet this objective and are particularly important for industries that are as capital-intensive as electric power and natural gas.

### **Establish a Process to Timely Include Prudently Incurred Costs in Transmission and Pipeline Rates.**

For investors to invest in facilities that provide regulated monopoly services, such as electric transmission and natural gas pipelines, they need to know quickly and with certainty how and when they will have the opportunity to recover their costs. Thus we must act quickly on rate proposals, especially for new construction. Our policies must provide a fair opportunity for cost recovery, letting those who propose expansion projects gain access to capital markets.

Pipeline and powerline cost recovery and rates are set in tariffs filed at and litigated before the Commission. We are working to assure that these cases are processed and litigated with appropriate speed. The resulting tariffs should be clear and meet both business needs and the public interest.

**Ensure Rate Design for Regulated Company Services Supports Long-term Competitive Markets.**

Just as investors in regulated monopoly infrastructure need to know how they will have a chance to recover their costs, investors in and customers for electric generation, gas production and demand-side measures need reasonable assurance of what transportation costs they can expect to face and that they will continue to have nondiscriminatory access to transportation services. Without such assurances, investors will bear greater risks, find it more difficult to obtain financing and invest in fewer projects than the Nation needs. That in turn will undermine the adequacy of supply that is a prerequisite for competitive energy markets.

The same measures we are undertaking to provide cost recovery assurance for infrastructure investors provide greater rate certainty for customers. We have worked hard to promote full, open access over the long term to both the electric power and natural gas transportation systems, especially through Order Nos. 888 and 2000 (in electric power) and Order No. 636 (in natural gas). We will continue to ensure that terms and conditions of service promote reliable open access for all customers.

**Welcome Balanced, Innovative Rate and Return Proposals That Provide Incentives for Pro-competitive Behavior and Publicly Beneficial Projects.**

Traditional cost-of-service rate regulation provides few incentives for regulated companies to lower their costs, to provide better service or to remove barriers to open commodity trading. As a result, such regulation is not necessarily the best way to set rates for regulated services that support an overarching competitive energy market.

No one knows exactly what new forms of ratemaking would best serve energy industries. Therefore, we welcome innovative rate proposals that promise reduced costs, improve service or remove trade barriers. It is important that such proposals:

- Be balanced. Any increased returns, for example, must be linked to good performance, and the company must face some penalty for bad performance.
- Support competitive markets for electric power and natural gas.
- Give companies an incentive to build key new projects as well as to operate efficiently.

**Objective 1.3: Proactively Address Landowner, Safety and Environmental Concerns**

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Infrastructure projects inevitably involve competing economic, environmental and landowner interests. To avoid delays in our approving natural gas pipeline certificate and hydropower license applications, we

attempt to meld these interests. Our dam safety responsibilities also fall under this objective.

**Encourage Applicants to Address Stakeholder Concerns Before the License/Certification Process.**

**Utilize Collaboration with Affected Parties to the Greatest Extent Possible.**

While competing interests are never easy to reconcile, we believe they are best addressed openly and early in the process. For hydropower licensing, we promote the alternative licensing process (ALP). For pipeline certificates, we encourage landowners and other parties to become involved early in the process. In both instances, we expect the parties to resolve issues before they file with the Commission, which allows us to act more expeditiously.

For natural gas certificates, we are conducting an outreach program to collect and disseminate information on ways for applicants, citizens, and state and other federal agencies to identify and resolve disputes before filing with us. We reported on actions interested parties could take to participate effectively in the process, particularly with regard to assuring the public early access to information. We are planning workshops to evaluate the program's success to determine the next steps.

**Ensure Strictest Adherence to Prudent Safety Practices.**

To protect life, health, and property, we ensure the safety of the 2,600 non-federal hydropower dams we license. Their safety is critical for the Nation to enjoy the benefits of hydropower. To ensure safety we focus on high-risk projects and develop and maintain state-of-the-art dam safety criteria.

We focus on high-risk projects that present the greatest potential risk to life, health, and property by inspecting high- and significant-hazard-potential dams and by requiring emergency action plans. Our program inspects high- and significant-hazard-potential dams (about 1,000) once a year and the remaining dams (low-hazard-potential dams) at least once every three years. We also oversee remediation to correct deficiencies.

Even with the best safety program, emergencies can occur. Emergency action plans specify actions owners must take, in coordination with federal, state and local preparedness agencies, in case of emergencies such as floods, earthquakes, project failures, or improper operation. We conduct tests to ensure that emergency action plans work as designed.

The Nation's dams are aging; many were constructed more than 100 years ago. Therefore, we are developing state-of-the-art safety criteria. We are working with licensees, dam safety experts, and other federal and state agencies to develop and apply the criteria appropriately.



**Incorporate Reasonable Environmental Conditions into Permits, Licenses, and certificates.**

Natural gas pipeline construction and hydropower projects have environmental impacts that can be mitigated with appropriate measures. At the same time, the ultimate cost of a project has to be attractive to investors. We are committed to mitigating environmental effects cost-effectively. We also seek to avoid construction delays while satisfying environmental concerns.

*Natural Gas Pipelines.* We require environmental measures in certificates and inspect natural gas facilities for adherence to prescribed environmental mitigation measures. To ensure environmental compliance without delaying construction, we adhere to the target inspection schedule laid out in the performance measures at the end of this chapter.

*Hydropower Projects.* We condition licenses with environmental mitigation measures, ensure licensees comply with license conditions, and evaluate the effectiveness of such conditions. Knowing the effectiveness of required environmental mitigation measures can lead to better decisions on measures for existing and new projects. We monitor and evaluate such effectiveness, distributing that information to licensees through meetings, workshops and reports.

Using the adaptive management approach, the Commission and licensee can adjust license requirements over the license term as environmental conditions change. We adjust future requirements to conform to the changing situation. We review the plans and reports describing compliance methods, conduct environmental inspections, and proactively work with licensees to achieve and maintain practical and effective compliance and to prevent any potential for future non-compliance.

**Objective 1.4: Stimulate Use of New Technology**

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One hallmark of emerging competition is innovation, particularly technological change in products and services. For example, deregulation in the telephone industry has allowed the rapid growth of myriad telecommunication services, including wireless service, high-speed data transfer, and a variety of customer equipment, from faxes to pagers to cell phones. The electric industry is already seeing technological advances, including real-time demand side technologies and transmission-enhancing devices. More are being developed. We must give new technologies a chance to test themselves in the marketplace. We have not yet developed detailed ways to accommodate new technologies; however, we do have two basic strategies for the future:

**Develop Industry and Agency Familiarity with Most Current Infrastructure-based Technologies.**

Both the Commission and the industry need to understand new technological developments, what new technologies need to be developed, and what implications these developments may have for the industry and its customers.

**Equalize Regulatory Treatment (Including Cost Recovery) for Old and New Technologies in Transmission, Transportation, and Generation.**

In many cases, regulatory structures grow over time to fit an existing set of technologies. These structures may unintentionally disadvantage new technologies. We will work to accommodate all technologies through appropriate rates, terms, and conditions, and to make existing rules and tariffs technology-neutral.

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**Objective 1.5: Promote Measures Which Improve the Security and Reliability of the Energy Infrastructure**

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For the consumer to enjoy the benefits of competitive energy markets, the Nation's energy infrastructure must be secure and reliable. In the past, we thought of secure and reliable infrastructure in two ways: adequacy and security. Adequacy is the ability of the electric and natural gas system to supply the aggregate requirements of all consumers at all times. Security is the ability of the system to withstand sudden disturbances for a short time. With the September 11, 2001, terrorist events, security also means ensuring that such infrastructure is safe from attack or sabotage. To help maintain a secure and reliable infrastructure, our strategies are:

**Work with Other Agencies and Parties to Identify Security Issues and Needs.**

**Support Industry Efforts to Improve Infrastructure Security.**

One way to ensure a secure and reliable system is to work with other agencies and parties to identify issues. We routinely maintain contact with key entities that are responsible for various aspects of the security and reliability of the energy infrastructure:

- Other federal and state agencies, such as the Department of Transportation (Office of Pipeline Safety), Department of Energy, Federal Emergency Management Agency, and Office of Homeland Security;
- Electric industry organizations, including the North American Electric Reliability Council (NERC) and independent system operators (ISOs); and
- Natural gas industry organizations, including the Interstate Natural Gas Association of America.

Commission staff members attend NERC and ISO meetings. We are expanding these outreach and mutual education efforts as we identify appropriate opportunities.

All participants agree that a secure and reliable system is necessary for the market to function efficiently. We look to NERC, ISOs, and eventually RTOs to help address reliability and security concerns by engaging in regional planning. We will support industry efforts to improve security by promptly allowing recovery of related costs, and in other ways as security issues and needs are identified.

## Measuring Success

Performance measures should assess both outputs (how quickly and how well we complete our activities) and outcomes (how well we achieve our overall goals). For Challenge 1, we currently focus on output measures that tell us how quickly and well we process cases. We added case processing measures for hydropower licensing and rate-related cases to our previous performance measures this year and tightened our certificates processing times.

Measures	Targets	Data Source
Percentage of natural gas pipelines with approved Order No. 637 compliance filings	100% of pipelines subject to Order No. 637	Office of Markets, Tariffs, and Rates
Statutory cases by workload category	All cases competed by statutory action date	Office of Markets, Tariffs, and Rates
Number of cases requiring additional remedial action	Less than 20% of all cases processed in FY 2002 require additional remedial action, with a 5% improvement for FY 2003	Office of Markets, Tariffs, and Rates
Completion of interconnection proceeding	Adopt new interconnection standard agreement by October 31, 2002	Office of Markets, Tariffs, and Rates
Percentage of pipeline certificate cases completed in specified time frames	85% of cases completed within the following time frames: <ul style="list-style-type: none"> <li>▸ unprotested cases that involve no precedential issues, 159 days</li> <li>▸ protested cases that involve no precedential issues, 304 days</li> <li>▸ cases of first impression or containing larger policy implications, 365 days</li> <li>▸ cases requiring a major environmental assessment or environmental impact statement, 480 days</li> </ul>	Office of Energy Projects
Percentage of filings addressing the development of increased hydropower capacity	25% of all relicense cases using ALP	Office of Energy Projects
Increase non-federal hydropower capacity	Complete license amendments proposing increased capacity/generation in less than 12 months	Office of Energy Projects
Percentage of hydropower licenses approved within specified time frames	75% of licenses approved within the following time frames: <ul style="list-style-type: none"> <li>▸ ALP median case, less than 16 months</li> <li>▸ Traditional median case, less than 43 months</li> </ul>	Office of Energy Projects
Inspect each major onshore pipeline project at least once every four weeks during construction and at least once after construction completion	100% of qualifying projects inspected per established schedule	Office of Energy Projects

**FY 2003 Congressional Budget and Performance Plan**

<b>Measures</b>	<b>Targets</b>	<b>Data Source</b>
Increase the percentage of hydropower licenses issued using alternative licensing process (ALP)	2% increase over FY 2002	Office of Energy Projects

**(Continued on Next Page)**

Evaluate and improve the effectiveness of required environmental enhancement and mitigation measures in hydropower licenses	<ul style="list-style-type: none"> <li>▸ Conduct 5 site visits</li> <li>▸ Hold 2 regional meetings with stakeholders</li> <li>▸ Disseminate 2 environmental effectiveness reports</li> </ul>	Office of Energy Projects
Percentage of high- and significant-hazard-potential dams inspected annually	100% of high- and significant-hazard-potential dams inspected annually	Office of Energy Projects
Percentage of high- and significant-hazard-potential dams meeting all current structural safety standards	Percentage of high- and significant-hazard-potential dams meeting all current structural safety standards remains uniformly high	Office of Energy Projects
Percentage of high- and significant-hazard-potential dams in compliance with EAP requirements	100% of qualifying dams in compliance with EAP requirements	Office of Energy Projects
Update and add new chapters to the Engineering Guidelines, as appropriate	Issue new or revised Engineering Guidelines chapters, as appropriate	Office of Energy Projects

## CHAPTER 2: COMPETITIVE MARKETS

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### Foster Nationwide Competitive Energy Markets as a Substitute for Traditional Regulation

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Operating Expenses			
(Budget Authority Dollars in Thousands)			
	FY 2001 <u>Actual</u>	FY 2002 <u>Estimate</u>	FY 2003 <u>Request</u>
FTEs	175	180	188
Funding	\$18,195	\$20,011	\$21,134

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#### Introduction

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Our primary focus in the next few years will be to create fully functioning wholesale electricity markets nationwide both to gain the benefits of competition as soon as practical and to minimize transition difficulties. Competitive energy markets offer benefits to customers all over the Nation. During the late 1980s and early 1990s, we successfully led the effort to establish competitive wholesale markets for natural gas. In recent years, we have encouraged the growth of competition in wholesale electric power markets also. However, progress in opening electricity markets has been uneven in different parts of the country and has been slower than it was for natural gas, requiring greater attention and new measures. The transition period also has included unanticipated market disruptions.

Meeting this challenge includes two objectives:

- *Advance Competitive Market Institutions Across the Entire Country.* Market institutions must be strong and stable enough to be credible to all market participants and produce benefits for all.
- *Establish Balanced, Self-enforcing Market Rules.* Consistent, known, fair market rules enable market participants to do business with confidence and act as the first line of customer protection in a competitive energy market.

Only when market institutions are strong and market rules are known and accepted will the electricity market transition be complete.

## **Objective 2.1: Advance Competitive Market Institutions Across the Entire Country**

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Open access to transmission is the underpinning for competitive regional electricity markets. Traditional approaches to transmission access and pricing create several obstacles to competitive power markets. For example:

- The existence of many transmission owners within a region makes it cumbersome and costly for market participants to do business over a wide area. This balkanizes markets, prevents trade, and often limits the number of competitors who can offer service.
- Vertical integration of generation and transmission provides an incentive for companies to use their control of transmission to favor their own generation and disadvantage competitors.
- The lack of regional planning means that both transmission providers and generators act parochially, and transmission bottlenecks are difficult to remedy, perpetuating congestion that raises costs for all consumers.

We believe that the only sustainable path to competitive power markets is to establish regional transmission organizations (RTOs). RTOs must operate the transmission system, cover very large geographic areas and operate independently of all other market participants. As a result, the most immediate task is to complete development of RTOs all across the country. Once in place, the RTOs will oversee markets that follow standardized market rules approved by the Commission.

Our strategies for advancing RTOs are:

### **Complete Firm Establishment of RTOs with Clear Responsibilities, Independence and Scope.**

We have already accomplished much in setting up RTOs. Order No. 2000 detailed the characteristics and functions of RTOs and encouraged participation of all utilities. Today, proposals exist for RTOs in various stages of completion in most parts of the United States. One RTO, the Midwest Independent System Operator, has commenced operations.

- We have committed to making the difficult decisions regarding scope and configuration that will arise in RTO filings.
- We will encourage the use of standard market designs and rules across all electricity markets and RTOs. A standard market design will ease the transition to functional RTOs throughout the country and lower transactions costs and, ultimately, delivered energy costs for everyone who deals with more than one control area in the future. The Commission's standard market design proceeding began in late 2001 and should conclude with adoption of a tariff incorporating the standard market design in Fall 2002.
- We will process pending RTO cases consistent with these policy goals to clarify key policy decisions and expedite RTO formation.

These efforts will create solid RTOs with consistent, clear responsibilities throughout the country. That in turn will provide the indispensable foundation for competitive electricity markets to flourish.

**Develop Appropriate Coordination Role with States to Efficiently Oversee Regional Power Markets.**

Today's electricity markets have become regional and continental in their trade reach. Yet the Federal Power Act defines a state-federal split of jurisdiction that has served as the basis for more than 65 years of industry development. States have strong, long-standing legal responsibilities for how the electric power industry operates both now and in the future. At the same time, electric power in almost all areas of the country is an inherently interstate business. As a result, we and the states must address how to adapt the traditional regulatory jurisdictions to new market realities.

Developing a competitive electric power industry requires complementary efforts at the state and national levels. We will expand our cooperation with the states. To do so, we are establishing new organizational relationships specifically to coordinate and improve our relationships with the states. We will work closely with states at every stage of setting up and running RTOs. This involves:

- including state commission participation and comment in RTO and market design discussions and proceedings to understand state and regional concerns and needs;
- ensuring that sound wholesale market competition develops in regional markets, to improve grid reliability and delivered electricity costs for retail customers;
- ensuring that developing markets serve legitimate interests at both the local and regional levels; and
- ensuring that RTOs enhance reliability for all states by bringing greater coordination and redundancy to the transmission system.

Overall we can achieve these results only if we and the states together develop strong, workable definitions of the role each entity needs to play. We will make every effort to make this joint enterprise succeed.

**Look to Balanced, Industry-led Organizations to Develop Reliability and Business Practice Standards.**

As competitive electricity markets grow, they will need consistent ways of doing business. This will prevent customers from having to deal with many different approaches and will help ensure reliability. Reliability poses issues both for the physical infrastructure (see Energy Infrastructure, Objective 1.5) and for smooth market functionality. Developing consistent standards for reliability and business practices is a very detailed, highly technical undertaking. Yet the details of the standards specify much of the way the market actually works. If not

developed fairly, they can greatly advantage some market players at the expense of others.

In our experience, the best way to develop reliability and business practice standards is to use groups of experts drawn from all parts of the industry and to back the recommendations of those groups with Commission action as needed. This worked in the natural gas industry with the Gas Industry Standards Board, since renamed the North American Energy Standards Board (NAESB). We will work to ensure the development of a group, possibly NAESB, to address business practices for the electric industry. We are working closely with the North American Electric Reliability Council (NERC) on reliability standards. We will strengthen our relationship with these organizations.

**Firmly Establish Transmission Planning Function on a Regional Basis, to Use a Variety of Technology Solutions to Meet Reliability, Security, and Market Needs.**

Fully competitive markets will require regional transmission planning. Transmission constraints in one area can have wide-ranging effects for customers throughout a region. The laws of physics mean that transmission upgrades in one place can also have wide-ranging effects – sometimes negative – on other parts of the grid. As a result, transmission planning is an inherently regional function.

RTOs are the natural organizations to perform regional transmission planning. They will both operate the transmission system and oversee the market. As a result, they will be in a unique position to understand both the technical requirements of the grid and market needs and to integrate these considerations into an overall plan. We will, therefore, work to ensure that RTOs include clear responsibility for regional transmission planning.

**Objective 2.2: Establish Balanced, Self-enforcing Market Rules**

A market can only be as good as the rules that govern it. Rules for regional electricity markets must balance the interests of all market participants – this ensures they are fair and equitable, prevents abuse and builds the market’s credibility. The rules must be as self-enforcing as possible. Otherwise, endless disputes would arise that would prevent the market from operating efficiently and would invite or even require continued regulatory distortions.

Our strategies for establishing market rules are:

**Link Deregulated Rate Authority to Continued Presence of Balanced Market Conditions.**

We allow the use of market-based rates for electric power, unless companies can exercise market power or engage in anticompetitive behavior. In practice, our traditional test for market power led to market-based rates for most generators who requested them. The crisis in California made clear that our traditional definition of market power did



not always prevent markets from developing problems. In particular, when demand nearly reaches supply, markets become unbalanced and the opportunity for exercising market power grows. In such situations, even an otherwise well functioning market may no longer guarantee the full benefits of competition that justify market-based pricing.

On an interim basis, we have revised our test for market power to include a supply margin assessment (SMA). Under the SMA we have proposed that, to retain market-based rates, a company must either belong to a regional group (an ISO or RTO) that monitors markets and has provisions to mitigate market power, or it must pass the SMA. In response to industry concerns, we have stayed the operation of certain aspects of the SMA analysis until after we complete a technical conference on this topic.

We will follow these actions with a series of outreach meetings with experts. Based on those consultations, we will formulate a generic proposed rulemaking to apply new analytical, appropriate methods for assessing markets and market power.

**Explore International Best Practices to Develop Comprehensive Market Protocols/Rules.**

When something works, it is easier, faster, and cheaper to use it than a redesign. We have traditionally worked within North America to develop competitive wholesale markets. We have relied on states and industry-led organizations to help us in market design. However, competitive energy markets are well developed in some other parts of the world (for example, the United Kingdom) and are growing in many other places. All of these new markets provide additional experience as to what market elements work well or badly.

**Work to Establish Robust Programs for Customer Demand-side Participation in Energy Markets.**

Events in Western energy markets have shown that energy markets must allow response from both the supply and the demand side of the industry. Historically, the industry has assumed most demand is fixed, and has priced power to most customers at constant rates during fairly long periods such as a month or year. The result is that customers have seldom seen prices change in the short run and have had little if any incentive to change their usage to meet the true costs of producing power at any given time. The lack of short-term demand response was a major contributing factor to the problems in Western electricity markets, just as individual customer decisions to conserve electricity were a significant part of the solution to the problems. In the future, electricity markets at both the wholesale and retail levels will require a full demand response to avoid the difficulty that arises from having only a supply response.

States have the most direct jurisdictional authority over most demand-side measures. However, we are acting to encourage more demand response. For example, we will:

- ensure that wholesale markets allow for demand-side on an equal basis with supply-side bidding;
- encourage states to adopt programs that let customers respond to changing prices; and
- help remove any impediments that prevent full demand-side participation in electricity markets.

**Encourage Standardized Business Rules and Practices to Maximize Market Efficiency, Ease Market Entry, and Reduce Transactions Costs.**

Many of the standardized business practices described earlier in this section will become part of the market rules for regional electricity markets. This will allow consumers access to more and cheaper supplies of electricity. We will work with all parts of the industry to make sure that these standardized rules develop and that they succeed in allowing more parties to access more customers, increasing market efficiency and reducing transactions costs.

**Measuring Success**

Our overall success in meeting this challenge is relatively easy to measure. The more successful we are, the more of the country will be covered by established RTOs. At the most basic level, we will report this information in the form of a map of the United States showing the areas covered by established RTOs. This is a good threshold measurement of our success in fostering nationwide competitive energy markets. The map, as it appears today, is on the next page. The shaded areas are covered by ISOs today and are thus further along the road to RTOs than are other regions.

In addition to the map, we will use the following measures of performance:

Measures	Targets	Data Source
Percentage of country covered by approved RTOs or ISOs (percentage of electricity load)	100% of electricity load in regions where we have jurisdiction	Office of Market Oversight and Investigation
Number of retail customers covered by approved RTOs and ISOs	Increase by the number of retail customers covered by 2 additional RTOs or ISOs	Office of Market Oversight and Investigation
Enhanced regulatory support for market institutions	Creation of OMOI and market performance indicators	Office of Market Oversight and Investigation

### Active Independent System Operators and Regional Transmission Organizations



Map by FERC/OMTR/Division of Market Development, January 22, 2002



## CHAPTER 3: MARKET OVERSIGHT

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### Protect Customers and Market Participants Through Vigilant and Fair Oversight of the Transitioning Energy Markets

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#### Operating Expenses

(Budget Authority Dollars in Thousands)

	FY 2001 <u>Actual</u>	FY 2002 <u>Estimate</u>	FY 2003 <u>Request</u>
FTEs	234	240	250
Funding	\$24,323	\$26,679	\$28,106

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#### Introduction

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Recent experience makes it very clear that good energy markets require good market regulators. We recognized the importance of developing strong market oversight and investigatory capabilities several years ago and began a systematic program to develop them in 1999. The California crisis showed that the need for good oversight and investigation is not only important but also far more urgent than we (or most others) had fully understood. We also need to build a better understanding of the dynamics among players, market events, prices, and volumes within a market, and to identify the data and metrics that reveal market activities, outcomes, and effectiveness. As a result, we are establishing a new Office of Market Oversight and Investigation (OMOI), a high-level organization directly under the Chairman. We are asking for an increase of \$7 million and 50 FTEs to build our oversight and investigatory capabilities. This will let us supplement our limited expertise in the following areas:

- *Investigation.* We have little experience with intensive market investigations of the sort that is routine at agencies such as the Commodity and Futures Trading Commission.
- *Market Operations.* We need more people who are familiar with the details of how electric and natural gas markets actually work.
- *Risk Management and Derivatives.* We need a much greater understanding of how financial and physical markets interact, both in daily trading and in making long-term investment decisions.

- *Investment in Unregulated Industries.* We have many people who understand how investment decisions happen in traditional regulated industries. However, we need people who can assess how our actions affect those who invest in market-oriented industries, including electric generation.
- *Market Information Analysis.* We have many people who can analyze traditional rate filings and even individual filings for market-related activities. Market performance can be measured using the explosion of data that markets produce. We need data analysts who can use data management and analytical tools that go far beyond the capability of spreadsheets.
- *Engineering to Integrate Analysis of Market and Physical Systems.* Electric and natural gas markets differ from most commodity markets because the physical transmission system frequently imposes constraints that can radically shift economic results. We need people who can relate market activities to the underlying physical constraints of the transportation systems.

We have three main objectives in meeting this Challenge:

- Improve our Understanding of Energy Market Operations,
- Assure Pro-competitive Market Structures, and
- Remedy Individual Market Participant Behavior as needed to Ensure Just and Reasonable Market Outcomes.

The first objective is essentially educational, to ensure that as an institution we understand enough to regulate the market successfully. The second objective concerns market oversight. It looks at overall market structure and performance and attempts to prevent possible future problems. The third objective covers enforcement. It examines individual companies and seeks to remedy past problems.

### **Objective 3.1: Improve Our Understanding of Energy Market Operations**

The first step in meeting this challenge is to understand the markets that we oversee. Institutionally, that means we must:

- Learn how energy markets are evolving. Given the extraordinarily dynamic nature of electric and natural gas markets, this will require a sustained effort over a fairly long period of time.
- Ensure that all of our staff who are involved in market oversight and investigation understand emerging market developments and can relate them to their immediate work.
- Ensure that most of our staff has a basic understanding of market functioning so that the decisions they make in case analysis and rulemakings support the growth of competitive energy markets.

To achieve these ends, we will use the following strategies:

**Keep Abreast of Market and Technological Innovation, Including Use of Financial Instruments and Internet-based Energy Trading.**

As energy markets develop, we must continually update our understanding of how they are working and how market changes affect all aspects of our work. We will focus on new market developments (for example, new derivatives and Internet trading), new technologies (for example, distributed generation, superconducting transmission), new business strategies, new approaches to regulation and new interactions with other industries and markets (for example, emissions trading).

**Develop Staff’s Investigatory and Market Data Analysis Skills Through Training, New Hiring and Relationships with Outside Experts.**

Market investigations involve types of information and behavior that are unfamiliar to most traditional cost-of-service regulators. They require forms of investigation that differ from our traditional work. We will use expertise from those who already investigate other markets. This will include hiring some experts directly, contracting with others, and partnering with other agencies that have more expertise. From this, from market observation, and from strategic skills training, we will build staff experience.

**Strengthen Role of RTO Market Monitoring Units.**

Given how quickly electricity markets can change, market monitoring is clearly an essential part of any future market. RTOs will be much closer to regional markets than either state or federal regulators. So it is natural that the first responsibility for market monitoring should rest with RTOs. We will work with the industry to define clearly what an RTO’s market monitoring must encompass. We will build on the experience of some of today’s ISOs, who have well developed market monitoring programs. We will work with RTOs to ensure that they have effective market monitors in place, that the market monitoring efforts of RTOs in different parts of the country are consistent, and that there are appropriate regulatory backstops when market monitors identify problems.

**Improve Data Collection.**

We will collect the data we need to understand energy markets. This means collecting data that are more strategically valuable – that is, data that meaningfully describe market performance and that let us pinpoint possible problems for further investigation. We will fully use data from publicly available sources, as well as collecting more timely and frequent data from more market players, with Congressional authority, if necessary. At the same time, we will reduce or eliminate data collections that are no longer necessary for market-oriented industries.

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**Objective 3.2: Assure Pro-competitive Market Structures**

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Competition is making the electric and natural gas industries very dynamic. We must make sure that the market structures and rules we help put in place

today both work well today and provide a framework that will serve evolving markets in the future. To do so, we need to track market behavior and evaluate market performance so that we can understand and discern:

- the difference between superficial and significant market problems;
- which market problems are due to market rule or structural flaws and which are due to misbehavior; and
- which market problems require regulatory intervention and which require only patience.

**Identify and Remedy Problems Concerning Market Structure.  
Assess Market and Infrastructure Conditions Through Use of Objective Benchmarks.**

**Periodically Review Effectiveness of Market Rules and Revise Them Consistent with Sustained, Long-term Development of Energy Markets.**

At the heart of this effort will be a twice-yearly Seasonal Market Assessment, to be published in advance of the summer cooling season and the winter heating season. The Seasonal Market Assessment will examine all major regional markets for both natural gas and electric power. It will report on a series of objective measurements for each market, including basic supply-demand balances, transportation adequacy, and the degree of market concentration. It will also report experience with current market rules (both positive and negative) and assess whether there are any major vulnerabilities that might threaten market disruptions in the future. Finally, it will prioritize recommended actions needed to improve market performance or prevent disruptions. Overall, this report will provide the market performance assessment to correct major potential problems in the markets before they become serious.

We will supplement the Seasonal Market Assessment with other periodic reports, including bulletins that analyze fast-breaking market developments. Information will come from our Market Observation Resources Room, the automated center that gives us the ability to follow market activities as they happen, and from significantly improved industry contacts, including close coordination with RTO market monitors. These reports also will include analyses of apparent market anomalies – for example, times when prices seem to be high in unexpected places or volumes seem abnormal. Such anomalies can indicate problems with data, new patterns of market trading, or various forms of gaming.

**Ensure That Mergers and Consolidations Are Consistent with Pro-competitive Goals.**

Most industries that move toward lighter forms of regulation witness considerable restructuring, including consolidations of companies within individual segments of the industry. Mergers can bring efficiencies from economies of scale and can also represent the result of successful competition when more effective business models grow. However, mergers also eliminate competitors and can lead to markets that are too concentrated to be fully competitive. We will examine mergers over



which we have jurisdiction in light of emerging market realities, to ensure that future mergers do no harm to the Nation's overall goal of a competitive set of energy markets.

### **Objective 3.3: Remedy Individual Market Participant Behavior as Needed to Ensure Just and Reasonable Market Outcomes**

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The purpose of making energy markets work is to bring the benefits of competition to customers all over the country. Our direct responsibility is to protect wholesale customers. But wholesale and retail markets are so closely integrated that our efforts to protect wholesale customers are a necessary foundation for state efforts to protect retail customers. Energy markets will produce just and reasonable results for customers, as markets have done in many other industries, but only if:

- *The markets really are competitive.* Customers must not be subject to abuses of market power that bring benefits to the supplier but not the customers.
- *The customers have recourse when there is a problem.* Customers who feel abused must have a trusted body that will investigate their claims and redress any valid complaints.

As a result, we need to develop a first-rate market investigations program that gives all individuals in the markets reason to believe that the market will operate fairly for all. Establishing the credibility of this program is our most urgent task in protecting customers and market participants. To do this, we will:

#### **Identify and Mitigate Market Power, and Use Prohibitions and Penalties as Necessary.**

In highly dynamic industries, market participants constantly seek new profit opportunities, including new ways to use market power. To protect customers, we will detect abuses of market power quickly. To do this, we will pay close attention to complaints as we receive them. We will also develop our own analytic capabilities. For example, we may devise automated audits that flag potential abuses. We will devise remedies that remove the effects of market power (mitigation), that prevent abusive actions (prohibitions), and that deter future abuses (penalties). And we will apply the remedies to match the specific facts in individual cases.

#### **Initiate and Conduct Timely and Effective Investigations as Warranted by Factual Reviews.**

Our enforcement activities depend on the timeliness and quality of our investigations. We will upgrade our investigative staff by increasing their numbers and improving their expertise. Where we do not have the expertise in either market operations or how to conduct a market investigation, we will obtain the expertise we need. We will establish clear targets for how long investigations of different types may take and we will hold ourselves accountable to those targets.

**Act Swiftly on Third-party Complaints, Using Litigation Before Administrative Law Judges as Necessary to Determine Factual Issues.**

In some cases, the best approach to a possible abuse of market power will be through our formal litigation process. This is especially the case when it is important to establish in open procedures exactly what the facts of a case are. Litigation can be costly and time-consuming, though we are seeking to streamline the process as much as possible. However, the openness of the process can promote credibility in important cases.

**Develop Expedited Dispute Solving Mechanisms to Minimize Time and Personnel Use.**

Many commercial disputes are important for the individuals involved, but do not raise major issues of fact or policy. This will be true for many or most disputes in energy markets as well. We will continue to develop our systems for alternative dispute resolution (ADR) so that such cases can be resolved relatively quickly, inexpensively, and satisfactorily for all parties involved. These ADR techniques include the use of settlement judges and the use of neutrals both from the Commission's Dispute Resolution Service and from outside.

## **Measuring Success**

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We use both outcome and output performance measures to measure the effectiveness of our programs. Output measures describe how quickly or how well we produce our specific work products – for example, orders, decisions, environmental reviews. Outcome measures describe how well we are succeeding in our larger goals for American energy industries.

### **Outcome Measures**

This challenge calls on us to make sure that wholesale markets are working for customers. We have not yet developed precise outcome targets for our success. However, our efforts to make sure that markets work will have important, observable effects for customers. Key among these are the following:

- **Severe Market Disruptions Will Either Be Prevented or Corrected Rapidly.** If this happens, the Nation will avoid a sustained systemic instability like that which affected Western energy markets in 2000-2001 and could provide a secure base for the future growth of strong competitive markets.
- **Electric and Natural Gas Transportation Customers and Electric Wholesale Customers Will Have Access to a Range of Competitive Alternatives, Including Innovative Products and Services.** To choose as performance targets any particular market outcomes (given prices or volatilities, for example) would not serve our purpose. However, it is reasonable to say that customers should see the value of competition in the form of more attractive choices. Then they could choose, for example, whether to purchase better service at a higher price or lesser service at a lower price.

The market oversight accomplished in meeting this Challenge will also enhance our outcomes in meeting other challenges. Key outcomes of this sort will include:

- **Congestion Costs on the Electric Grid Will Be Lower.** By identifying key infrastructure projects that are needed in time to facilitate a timely remedy (Energy Infrastructure), it should be possible to reduce the effects of bottlenecks in the grid. This will improve competitive options across larger geographic areas and will be manifest in lower overall congestion costs associated with transmission.
- **There Will Be Fewer Operational Flow Orders (OFOs) on Natural Gas Pipelines.** By identifying needed pipeline projects in time to facilitate their timely completion (Energy Infrastructure), it should be possible to reduce bottlenecks in the natural gas grid. This would reduce the number of OFOs that pipelines declare. OFOs should also decline as a result of improving business standards (Competitive Markets).
- **RTOs Will Operate Nationwide.** Market oversight will enable us to ensure that RTOs operate well in all parts of the country (Competitive Markets).

Devising operational measurements for some of these outcomes will be difficult. However, in each case, results are both potentially observable and important to measuring the success of the agency.

**Output Measures**

We have three overarching output targets for this challenge:

Measures	Targets	Data Source
Enhance institutional capability for overseeing energy markets	<ul style="list-style-type: none"> <li>• Establish the Office of Market Oversight and Investigation</li> <li>• Publish regular summer and winter Seasonal Market Assessments</li> <li>• Develop metrics/indicators of gas and electric market performance measures – a working set by July 2002, and improvements in 2003</li> </ul>	Office of Market Oversight and Investigation

We also have a series of more specific performance targets:

Measures	Targets	Data Source
Top to bottom review of all existing information systems to monitor markets	Complete entire review	Office of Market Oversight and Investigation
Development or acquisition of usable electronic baselines and databases to support market oversight objectives	Complete development of all baselines and databases by end of FY 2003	Office of Market Oversight and Investigation

(Continued on Next Page)

**FY 2003 Congressional Budget and Performance Plan**

<b>Measures</b>	<b>Targets</b>	<b>Data Source</b>
Development of market expertise	<ul style="list-style-type: none"> <li>• Training on market issues for 40% of OMOI and 20% of OMTR, OGC, and other staff</li> <li>• Hiring of staff with market expertise</li> <li>• Issuance of market assessment products and data analysis demonstrating market understanding</li> </ul>	Office of Market Oversight and Investigation
Establishment of protocols between the Commission and independent market monitoring units of RTOs	All approved RTOs	Office of Market Oversight and Investigation
Timeliness of corporate application orders	Less than 20% of merger applications will require examination or the imposition of mitigation measures beyond the initial review period, with such percentage targeted to decrease as further policy guidance is issued in cases requiring more time to address market power	Office of Markets, Tariffs, and Rates
Timeliness of audits	Complete 90% of audits on time	Office of Executive Director
Timeliness of Hotline calls resolutions	Resolve 80% within 1 week of initial contact	Office of General Counsel/Office of Market Oversight and Investigation
Timeliness of formal complaints resolutions	Complete 80% within target time frames for various paths for resolution of complaints as specified by the Commission	Office of General Counsel/Office of Administrative Law Judges/Office of Market Oversight and Investigation
Number of requests and referrals for ADR services	Maintain at or increase levels achieved in FY 2001	Dispute Resolution Service/Office of Administrative Law Judges
Percentage of customers satisfied with ADR processes	85%	Dispute Resolution Service/Office of Administrative Law Judges
Percentage of processes that achieve consensual agreements	Maintain at or increase levels achieved in FY 2001	Dispute Resolution Service/Office of General Counsel/Office of Administrative Law Judges
Percentage of cases in time frames <ul style="list-style-type: none"> <li>• ADR processes completed</li> <li>• litigated cases reaching initial decision</li> </ul>	<ul style="list-style-type: none"> <li>• 20% of ADR cases within 60 days</li> <li>• 30% of ADR cases within 100 days</li> <li>• 75% of ADR cases within 150 days</li> <li>• 100% of ADR cases within 200 days</li> <li>• 95% of simple litigated cases within 206 days (29.5 weeks)</li> <li>• 95% of complex litigated cases within 329 days (47 weeks)</li> <li>• 95% of exceptionally complex cases, 441 (63 weeks)</li> <li>• 95% of regular complaints, 60 days</li> <li>• 95% of "fast track" complaints, 8 days</li> </ul>	Dispute Resolution Service/Office of General Counsel/Office of Administrative Law Judges

# CHAPTER 4: RESOURCE MANAGEMENT

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## Efficiently Administer the Agency's Resources to Accomplish the Agency's Goals

### Introduction

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<b>Operating Expenses</b>			
<b>(Budget Authority Dollars in Thousands)</b>			
	<u>FY 2001</u> <u>Actual</u>	<u>FY 2002</u> <u>Estimate</u>	<u>FY 2003</u> <u>Request</u>
FTEs	292	300	312
Funding	\$80,856	\$86,524	\$88,998

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To meet our program challenges, we must manage our resources with integrity and efficiency and coordinate our work with many other entities at the state and federal levels.

This chapter focuses on the management challenges we face. Our primary objectives in this area are to:

- Attract, train and retain staff to fulfill the strategic plan.
- Manage information technology to better serve the public and streamline work processes.
- Communicate our activities more clearly with customers, elected officials and industry.
- Integrate agency business planning and budgeting processes.
- Build strong partnerships with all stakeholders, particularly with governors and states.

In addition, we practice financial responsibility by ensuring that financial procedures comply with Treasury and OMB requirements, and provide and maintain financial and administrative controls. We also are taking special precautions to enhance employee security. These measures particularly focus on improvements to facilities.

### **Objective 4.1: Attract, Train and Retain Staff to Fulfill the Strategic Plan**

We face a significant challenge in adapting our workforce to meet two major shifts in need for skills. First, as our regulatory approach shifts to making markets work, we must add a new and different mix of talent and skills. Second, 50 percent of our workforce, made up mostly of experienced and highly educated and trained employees, is eligible to retire by 2005. We will need to ensure no gaps in current skill levels during this rapid turnover of

senior employees. To contend with these two shifts, we need to both develop further the skills of current employees and find new talent.

To meet our staffing requirements, we are enhancing our recruiting and training processes, finding new ways to retain needed talent, and aligning staff assignments with our most important strategic goals. Strategic and business planning, discussed further in Objective 4.4, clarifies the Commission's focus and priorities, and the kinds of work efforts and resources necessary to meet goals and objectives. We are planning our recruitment and training efforts around these priorities.

*Staffing.* The need for new talent due to changes in regulatory approach covers skills beyond those we have needed in the past. The new focus requires increased skills and experience in market investigations, knowledge of market operations, understanding of risk management and derivatives, understanding of investment in unregulated industries, analysis of overall market information, and understanding of the effect of energy transportation systems on commodity pricing. A major part of acquiring these skills will involve hiring market experts, working with others on contract, and partnering with other agencies. Other skills can be increased through on-the-job experience and knowledge sharing among staff, including staff-led training.

As we develop our market oversight capability, we also retain such traditional functions as ratemaking and licensing. Ensuring the continuance of high-quality regulatory work will be a priority as we face the rapid turnover of skilled employees due to pending retirements. Engineers, with 40 percent retirement eligibility in 2005, present the most dramatic potential skills loss. These skills are necessary not only for the traditional analysis of cost-based rates, but also for implementing RTOs, monitoring markets, analyzing project proposals, and making safety inspections. Aggressive recruiting will focus on both the need to retain needed skills and the need to build market oversight capability.

*Leadership and Employee Development; Succession Planning.* Leadership development is a major focus. Our leadership program reinforces managers' accountability for achieving business objectives and promoting employee growth and development. The program emphasizes managers' responsibilities for communicating, setting direction, implementing and achieving results, fostering teamwork, and building trust and commitment. We are now developing a program of 360-degree assessments for executives and have initiated a new Executive Speakers series on leadership to emphasize its importance and to promote learning and benchmarking opportunities.

Other efforts include implementing an orientation program that includes ongoing mentoring of new employees, designed to help employees achieve their career goals. In addition, we are revising our performance management program to emphasize job accomplishments related to performance goals and employee coaching and development.

We have developed a methodology to identify most of our critical hiring requirements for the next 5 years and the training necessary to fill future vacancies.

*Diversity.* Our recruiting also has focused on increasing the diversity of our workforce. Recruiters have identified colleges and universities with relevant academic programs. They have visited these schools on recruiting trips, focused on job fairs and schools with programs that include large numbers of minorities, and participated in INROADS, a minority search program. We also have initiated a Diversity Council to help managers understand the importance of a diverse workplace and to use innovative techniques to recruit, manage, and develop the next generation of workers.

*Streamlining.* As reported in the Commission's Workload Planning and Restructuring Submission to the Office of Management and Budget, major streamlining activities eliminated 72 supervisory or managerial positions between FY 1998 and FY 2000. This represents a reduction of 32 percent, improving our supervisor-to-staff ratio from 1/6 to 1/8.

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## **Objective 4.2: Manage Information Technology to Better Serve the Public and Streamline Work Process**

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We are committed to tying information technology efforts to our business plans to adapt effectively to the changing market place. Investment in state-of-the-art technology is a necessity and will be audited to assure return on investment. A competitive energy industry requires reliable and timely information in useful electronic formats. Our staff also are dependent on operating in a standard office automation environment with reliable information flows to enable integration across different programs and industries. These requirements necessitate a reliable information technology (IT) infrastructure. We are constantly improving the stability, reliability, and security of our IT infrastructure and data repositories, which support a local area network, a wide area network, an intranet, public Internet, video conferencing capabilities, an electronic library of public and internal documents, tracking systems of work products, and several specialized systems important to our staff and the public.

*Market Oversight.* Our ability to oversee the operation of energy markets, particularly with the widespread use of electronic trading, depends in part on our ability to identify and use accurate data from all over the country. We have implemented a market observation room to facilitate real-time monitoring and are reviewing current information collection activities. We are developing a network of IT and telecommunications systems to share information; tools such as "spiders," "data mining," and "search technology" to access real time data, monitor information and establish pattern recognition processes and deviations; analytical tools to "digest" information; and decision support systems to evaluate market performance.

We will also participate in establishing standards for information reliability, and facilitate information and knowledge sharing. We will promote the formation of national data warehouses to promote standards, economies of scale, and accurate and reliable reporting.

*Electronic Filing, Electronic Service, and Automated Work Processes.* We are committed to reducing the filing of paper documents, both to comply with the Government Paperwork Elimination Act and to improve our internal processes and the security of our employees and building. The Commission will endeavor to keep pace with industry developments by using the most current technologies to receive, maintain, and disseminate electronic records. By enabling direct submission of documents to the Commission by local and non-local entities, we are reducing the cost of making a filing. For electronic documents filed with or issued by the Commission, our goal is to load these documents and information about the document into our systems with little or no manual processing. Changes and adjustment to internal business processes are necessary to improve productivity.

To facilitate service of documents electronically by the Commission, we will offer an electronic service option that will result in same-day notification to parties. E-service will not only reduce costs for the Commission but will provide information in a more useful format. Our electronic service initiative will have a significant impact on these business transactions by automating service of Commission issuances and facilitating electronic service between parties.

We have already developed some automated workflow processes at a high level and are establishing more detailed work flows as changing processes require them. We need additional software development to further implement full integration of e-filing and routing of documents from process inception to issuance.

*Information Availability and Security.* Increasing competition in the industry requires information, often quickly available through the Internet. To meet this requirement, we are continuing our efforts to promote the improvement of server reliability, provide a powerful search engine, make it easier to navigate our Internet site to find information, make notices available to the public within minutes of issuance and ensure the quality and usefulness of the information disseminated through our website.

Other enhancements focus on information security. We make every effort to meet all GSA requirements. We apply the most current security patches for known vulnerabilities, especially for those systems that are accessible via the Internet; assessing risk to IT systems and processes and maintaining adequate security commensurate with those risks; conducting vulnerability assessments, audits, testing, and evaluation of security practices to ensure that program officials and security managers understand and mitigate the risk to agency systems; and conducting a regular security awareness training program. In addition, we continually upgrade our firewall infrastructure and intrusion detection system.

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**Objective 4.3: Communicate Our Activities More Clearly with Customers, Elected Officials and Industry**

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Achieving well-functioning, competitive energy markets depends both on our leadership and on the actions of many others. Making sure our policies and actions are understood clearly is essential to getting the results we aim for.



Our communication to help customers, elected officials, and industry understand our activities will center around two primary strategies:

- Publish information that enhances public understanding of energy markets; and
- Proactively reach out to groups affected by agency actions for advance input.

**Publish Information That Enhances Public Understanding of Energy Markets.**

People must understand both the benefits of competition in energy markets and how we are trying to make competition work. A Commission-wide outreach program will include a focus on encouraging understanding of energy markets. We will develop a communications plan and use it to coordinate the message of all Commission communications. The plan will encompass managing media relations, Congressional interactions, responding to inquiries from all sources, and communicating regulatory policy clearly to staff.

**Proactively Reach out to Groups Affected by Agency Actions for Advance Input.**

To make markets work, we need to have input from various points of view, incorporating the experience and perspectives of many. Therefore, before fashioning new policy, we will advise affected parties of our intentions and potential strategies and solicit their input. We will expand our traditional outreach meetings and use other means to get the benefit of multiple points of view.

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**Objective 4.4: Integrate Agency Business Planning and Budgeting Processes**

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To use our resources well, we need to know and focus on our direction, coordinate our actions according to the strategic plan, and budget accordingly, putting resources where they are needed.

This past September the Commission voted out a new five-year strategic plan that focuses on making markets work. We are now following through with management processes that center on this new strategic plan. This budget request is structured on the plan. We are developing an annual business plan, also based on the strategic plan's challenges and objectives, to be updated quarterly. To tie budgeting to planning, the business plan will connect activities and resources with goals and objectives and will identify priorities. To build in accountability, the business plan identifies responsible offices and due dates. Many of the actions and due dates will form the basis for output performance measures, and the challenges and objectives of the strategic plan will lead to new outcome performance measures.

Developing the business plan is an iterative process. In its early stages, it is helping to identify specific activities to move us toward our goals and objectives. Future business plans will help focus our priorities, identify gaps in implementation, organize resource allocation, and ensure results.

**Objective 4.5: Build Strong Partnerships with All Stakeholders, Particularly with Governors and States**

The effectiveness of our policies depends not only on the work done by the Commission, but also on the work of others. It will take partnerships with all stakeholders, particularly with states, to foster nationwide competitive energy markets.

We seek to strengthen cooperative partnering by continuing state-federal regional RTO panels to address issues of mutual concern. Such panels will further the goal of receiving input from states, help reduce the transaction costs for states engaged in issues under our jurisdiction, and enhance the flexibility of our problem solving.

We have already initiated state-federal regional panels to discuss state interests affected by RTO developments. We are staffing a new Division of State Relations to coordinate outreach efforts with the states and to act as a clearing house for information and inquiries from states within each RTO region. In particular, we will use these panels to coordinate activities with the states in developing the RTO planning and oversight functions.

The stakeholder partnership program also is key to interactions with other federal and state agencies to streamline our gas certification and hydropower licensing processes. Collaborative processes are essential to our continuing efforts to speed infrastructure decisions while ensuring the protection of the environment.

**Measuring Success**

The essence of this challenge is to make use of our resources to maximize their effect on our mission. The performance measures below cover the spectrum of our support activities.

Measures	Targets	Data Source
Number of new hires from recruitment program	Attract new talent through targeted recruitment, with 50% at entry levels	Office of Executive Director
New staff from summer intern program	<ul style="list-style-type: none"> <li>Expand program by 50%</li> <li>Hire 30% of participants into permanent positions</li> </ul>	Office of Executive Director

(Continued on Next Page)

Increase diversity of staff in high grades	Continue increasing diversity in GS-14, GS-15 and SES positions	Office of Executive Director
Increase average supervisor-to-staff ratios	Increase ratio from 1:8 to 1:9	Office of Executive Director
Improved executive performance	Implement 360 degree assessment of senior staff	Office of Executive Director
Percentage of transactions accepted electronically	95% of transactions accepted electronically	Office of Chief Information Officer
Percentage of e-issuance versus paper	90% of issuances made electronically	Office of Chief Information Officer

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<b>Measures</b>	<b>Targets</b>	<b>Data Source</b>
Improved Web site	<ul style="list-style-type: none"> <li>• Redesigned Web site</li> <li>• 99% availability</li> </ul>	Office of Chief Information Officer
Timeliness of getting public documents online	99% within 24 hours of receipt or issuance	Office of Chief Information Officer
Network availability	99%	Office of Chief Information Officer
Standard office automation platform and PC rate of refresh	33%	Office of Chief Information Officer
Timeliness of virus definition files updates on servers and workstations	Updates within 24 hours from release by vendors	Office of Chief Information Officer
IT system changes to comply with enterprise IT architecture and configuration management practices	Implement 98% reviews	Office of Chief Information Officer
Improved integration of work processes and electronic filing	Refresh integrated filing, docket, and document management system	Office of the Secretary/Office of Chief Information Officer
Monitoring of manage-to-budget process	Bi-weekly tracking of office salary levels and quarterly review of salary levels between CFO and Office Directors	Office of Executive Director
Timeliness of annual charges collections	Within 45 days of billing	Office of Executive Director
Invoices paid by electronic funds transfer	98%	Office of Executive Director
Accuracy and completeness of annual financial statements	Unqualified opinion	Office of Executive Director
Percentage of contracts performance-based	100%	Office of Executive Director
Percentage of contracts advertised online	100%	Office of Executive Director



**APPENDIX A**

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**PROPOSED  
APPROPRIATION LANGUAGE**



## **Proposed Appropriation Language**

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For necessary expenses of the Federal Energy Regulatory Commission to carry out the provisions of the Department of Energy Organization Act (42 U.S.C. 7101, et seq.), including services as authorized by 5 U.S.C. 3109, the hire of passenger motor vehicles and official reception and representation expenses (not to exceed \$3,000); [\$184,155,000] \$199,928,000 to remain available until expended: *Provided*, That notwithstanding any other provision of law, not to exceed [\$184,155,000] \$199,928,000 of revenues from fees and annual charges, and other services and collections in fiscal year [2002] 2003, shall be retained and used for necessary expenses in this account, and shall remain available until expended: *Provided further*, That the sum herein appropriated from the General Fund shall be reduced as revenues are received during fiscal year [2002] 2003, so as to result in a final fiscal year [2002] 2003 appropriation from the General Fund estimated at not more than \$0.





**APPENDIX B**

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**WORKLOAD TABLES**



**FY 2003 Congressional Budget Request and Performance Plan**

This appendix shows the portion of the Commission's work that can be objectively counted by workload category in energy markets and energy projects.

COMMISSION WORKLOAD <sup>2</sup>	FY 2000 Actual	FY 2001 Actual			FY 2002 Estimate			FY 2003 Estimate		
	P	R	C	P	R	C	P	R	C	P
<i>Pipeline Certificates</i>										
<i>Construction Activity</i>	66	146	144	68	145	144	69	145	144	70
<i>Prior Notice &amp; Abandonments</i>	34	79	87	26	78	90	14	78	90	2
<i>Meetings &amp; Conferences</i>	0	151	151	0	151	151	0	151	151	0
<i>Compliance Filings &amp; Reports</i>	71	269	271	69	269	271	67	269	271	65
<i>Environmental Analysis</i>	38	143	139	42	145	150	37	145	150	32
<i>Environmental Compliance &amp; Safety Inspections</i>	100	816	816	100	850	850	100	850	850	100
<i>Rehearings, Complaints &amp; Declaratory Orders</i>	55	70	94	31	105	115	21	105	115	11

Hydropower Licensing	P	R	C	P	R	C	P	R	C	P
<i>Original Licenses</i>	37	3	10	30	5	2	33	5	2	36
<i>Relicenses</i>	108	17	19	106	18	37	87	30	37	80
<i>5 MW Exemptions</i>	1	2	1	2	1	1	2	1	1	2
<i>Declaratory Orders</i>	1	3	1	3	2	2	3	2	2	3
<i>Rehearings and Remands</i>	48	127	139	36	61	61	36	61	61	36
<i>Cases Set for Hearing</i>	2	2	2	2	2	2	2	2	2	2
<i>ADR – Third Party Neutral</i>	2	6	5	3	10	8	5	12	10	7

Project Compliance and Administration	P	R	C	P	R	C	P	R	C	P
<i>Amendments</i>	438	1,461	1,528	371	1,400	1,400	371	1,400	1,400	371
<i>Jurisdiction</i>	15	16	19	12	14	13	13	14	13	14
<i>Federal Lands</i>	2	51	52	1	75	75	1	75	75	1
<i>Headwater Benefits</i>	1	122	123	0	115	115	0	115	115	0
<i>Compliance</i>	51	341	364	28	325	325	28	325	325	28
<i>Surrenders, Transfers</i>	25	53	58	20	45	45	20	45	45	20
<i>Conduit Exemptions</i>	0	12	6	6	5	8	3	5	5	3
<i>Environmental Inspections and Assistance<sup>3</sup></i>	54	190	180	64	190	210	44	190	210	24
<i>Preliminary Permits</i>	34	234	181	87	50	103	34	50	50	34
<i>Complaints</i>	11	1	1	11	2	12	1	2	2	1
<i>Rehearings</i>	37	42	74	5	30	35	0	30	30	0

<sup>2</sup>Key: R = Receipts; C = Completed; P = Year-End Pending.

<sup>3</sup>This category includes environmental and public safety inspections, which previously appeared under Dam Safety and Inspections. These were expanded as of March 1, 2001, to include proactive assistance to licensees.

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COMMISSION WORKLOAD	FY 2000 Actual	FY 2001 Actual			FY 2002 Estimate			FY 2003 Estimate		
	P	R	C	P	R	C	P	R	C	P
<i>Operations Inspections<sup>4</sup></i>	1,665	1,165	2,150	680	1,411	1,677	414	1,427	1,528	313
<i>Prelicense Inspections</i>	18	21	22	17	31	38	10	26	26	10
<i>Construction Inspections</i>	171	157	273	55	203	219	39	217	217	39
<i>Exemption Inspections</i>	273	236	395	114	308	349	73	289	288	74
<i>Special Inspections</i>	88	164	190	62	121	134	49	145	145	49
<i>Engineering Evaluation &amp; Studies</i>	560	1,775	2,032	303	1,489	1,500	292	1,629	1,640	281
<i>Part 12 Reviews</i>	276	131	335	72	233	259	46	215	195	66
<i>Dam Safety Reviews</i>	1	9	9	1	5	5	1	5	5	1
<i>EAP Tests</i>	26	35	40	21	43	42	22	38	38	22

Rates and Tariffs	P	R	C	P	R	C	P	R	C	P
<i>Gas Certificates &amp; Rate Evaluations</i>	33	64	47	50	60	55	55	55	60	50
<i>Market-Based Rates</i>	318	1,007	995	330	1,000	995	335	665	900	100
<i>Negotiated Rates</i>	25	298	299	24	300	305	19	300	305	14
<i>Cost-Based Rates</i>	1,149	2,611	2,638	1,122	2,600	2,650	1,072	1,700	2,500	272
<i>Service Terms and Conditions &amp; Order 637</i>	172	902	920	154	900	910	144	875	900	119
<i>RTO, ISO, Transco &amp; Power Exchange Filings</i>	50	397	294	153	350	300	203	350	325	228
<i>Compliance Certificate &amp; Rate Filings</i>	910	1,002	957	955	995	975	975	970	1,000	945
<i>Compliance Refund Reports</i>	112	113	104	121	95	105	111	80	110	81

Corporate Applications	P	R	C	P	R	C	P	R	C	P
<i>Interlocking Positions</i>	5	136	136	5	130	130	5	130	130	5
<i>Mergers</i>	0	8	7	1	10	10	1	10	10	1
<i>Asset Acquisition or Disposition</i>	20	147	159	8	140	120	28	140	130	38
<i>Cogen, Small Power Producer &amp; QF</i>	52	269	268	53	270	275	48	270	270	48
<i>Compliance &amp; Other Corporate Filings</i>	22	93	74	41	90	75	56	90	80	66
<i>RTO, ISO, Transco &amp; Power Corporate Filings</i>	2	16	15	3	20	20	3	15	15	3

<sup>4</sup>Includes about 50 inspections in each fiscal year for DOE and NRC.

**FY 2003 Congressional Budget Request and Performance Plan**

COMMISSION WORKLOAD	FY 2000 Actual	FY 2001 Actual			FY 2002 Estimate			FY 2003 Estimate		
	P	R	C	P	R	C	P	R	C	P
<i>Cases Set for Hearing</i>	63	66	62	67	68	68	67	66	65	68
<i>ADR – Third Party Neutral</i>	32	67	66	33	79	79	33	84	84	33
<i>Complaints and Declaratory Orders</i>	73	132	104	101	137	141	97	133	134	96
<i>Rehearings and Remands</i>	327	453	486	294	456	468	282	515	526	271
<i>Audits and Accounting</i>	36	77	82	31	94	103	22	98	100	20



## **APPENDIX C**

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### **RESOURCE REQUEST BY INDUSTRY**





## RESOURCE REQUEST BY INDUSTRY

### Program Funding (Dollars in Thousands)

Industry	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Electric Power	58,172	68,943	74,004
Natural Gas & Oil Pipelines	67,800	67,492	70,481
Hydropower	52,552	55,622	55,443
<b>Total</b>	<b>\$178,524</b>	<b>\$192,057</b>	<b>\$199,928</b>

### Program FTEs

Industry	FY 2001 Actual	FY 2002 Estimated	FY 2003 Request
Electric Power	390	439	472
Natural Gas & Oil Pipelines	442	420	439
Hydropower	337	341	339
<b>Total</b>	<b>1,169</b>	<b>1,200</b>	<b>1,250</b>



**APPENDIX D**

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**OBJECT CLASS TABLE**



**OBJECT CLASS SUMMARY  
(Dollars in Thousands)**

<u>Obligations</u>	<u>FY 2001 Actuals</u>	<u>FY 2002 Estimate</u>	<u>FY 2003 Request</u>
11.9 Personnel Compensation	\$94,007	\$102,956	\$109,151
12.1 Benefits	26,639	28,705	30,205
13 Benefits for Former Personnel	<u>(6)</u>	<u>25</u>	<u>25</u>
Total, Personnel Compensation and Benefits	120,640	131,686	139,381
21 Travel and Transportation of Persons	1,984	2,295	2,293
22 Transportation of Things	3	11	5
23.1 Rental Payments to GSA	16,895	18,910	19,572
23.2 Rental Payments to Others	395	392	408
23.3 Communications, Utilities and Misc. Charges	2,048	2,595	2,522
24 Printing and Reproduction	2,565	2,829	2,834
25 Other Services	28,102	28,122	27,502
25.1 Advisory and Assistance	5,819	5,826	5,204
25.2 Non-Federal	2,246	2,640	2,652
25.3 Federal	1,388	1,108	1,102
25.4 Operation and Maintenance of Facilities	1,560	1,370	1,370
25.7 Operation and Maintenance of Equipment	17,089	17,178	17,174
26 Supplies and Materials	794	985	985
31 Equipment	4,832	4,190	4,384
41 Grants, Subsidies and Contributions	42	35	35
42 Insurance Claims and Indemnities	<u>224</u>	<u>7</u>	<u>7</u>
TOTAL, OBLIGATIONS	\$178,524	\$192,057	\$199,928
Application of Prior Years' Budget Authority	<u>4,486</u>	<u>0</u>	<u>0</u>
GROSS BUDGET AUTHORITY	\$183,010	\$192,057	\$199,928
Offsetting Receipts	<u>(183,010)</u>	<u>(192,057)</u>	<u>(199,928)</u>
NET BUDGET AUTHORITY	\$0	\$0	\$0



## **APPENDIX E**

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### **COMPARATIVE PERFORMANCE MEASUREMENT DATA**





**Performance Measurements for Energy Infrastructure, FY 1999 – FY 2003**

<b>FY 1999</b>		
<b>Measurement</b>	<b>Target</b>	<b>Result</b>
<ul style="list-style-type: none"> <li>The Commission's certification program will allow the appropriate amount of new pipeline capacity to be available to serve the market when needed</li> <li>Certification of new pipelines will be timely, while fairly balancing the interests of the gas market, project sponsor, landowners, and the environment</li> </ul>	Number of days to complete 82% of filings by case type: <ul style="list-style-type: none"> <li>prior notice filings within 56 days<sup>5</sup></li> <li>unprotested filings within 159 days</li> <li>protested filings within 304 days</li> <li>cases of first impression within 365 days</li> </ul>	82% of filings completed in: <ul style="list-style-type: none"> <li>57 days</li> <li>152 days</li> <li>304 days</li> <li>365 days</li> </ul>
Inspect all onshore construction projects over 2 miles in length at least once	90% of projects inspected at least once	97% of projects inspected at least once
Inspect each major onshore construction project at least once every four weeks during ongoing construction activity	100% of projects inspected at least once	100% of projects inspected at least once
The Commission will reduce processing time under its control, particularly through the use of collaborative procedures and early involvement of staff	Establish a baseline	License filings using some form of collaborative process were completed in 0.99 years on average. Others averaged 2.77 years to complete.
Licensing conditions will protect and enhance beneficial public uses, both developmental and nondevelopmental	Establish a baseline	The Commission is in the process of developing automated systems to track both the conditions built into licenses and the monitored results
Administration of hydropower developments will accommodate increasing public use without diminishing key water resource values	Establish baseline	During FY 1999, the Commission issued licenses for 19 hydroelectric projects. Of these, 14 were required to install new or up-graded recreational facilities. The remaining 5 were deemed adequate.
The percentage of high- and significant-hazard dams meeting all current structural safety standards will remain uniformly high	Establish baseline	94.3% of qualifying dams met current structural safety standards
One hundred percent of high- and significant-hazard dams will be inspected annually	100% of qualifying dams inspected annually	100% of qualifying dams were inspected
One hundred percent of high- and significant-hazard dams will comply with emergency action plan requirements	100% of qualifying dams in compliance	99.8% of qualifying dams were in compliance

<b>FY 2000</b>		
<b>Measurement</b>	<b>Target</b>	<b>Result</b>
<ul style="list-style-type: none"> <li>The Commission's certification program will allow the appropriate amount of new pipeline capacity to be available to serve the market when needed</li> <li>Certification of new pipelines will be timely, while fairly balancing the interests of the gas market, project sponsor, landowners, and the environment</li> </ul>	Number of days to complete 82% of filings by case type: <ul style="list-style-type: none"> <li>prior notice filings within 56 days</li> <li>unprotested filings within 159 days</li> <li>protested filings within 304 days</li> <li>cases of first impression within 365 days</li> </ul>	82% of filings completed in: <ul style="list-style-type: none"> <li>55 days</li> <li>127 days</li> <li>218 days</li> <li>272 days</li> </ul>

**(Continued on next page.)**

<sup>5</sup>Since the Commission changed its regulations to require few prior notice filings, it no longer reports processing times for this type of filing.

**Federal Energy Regulatory Commission**

<b>FY 2000</b>		
<b>Measurement</b>	<b>Target</b>	<b>Result</b>
Inspect all onshore construction projects over 2 miles in length at least once	90% of projects inspected at least once	99% of projects inspected at least once
Inspect each major onshore construction projects at least once every four weeks during ongoing construction activity	100% of projects inspected at least once	100% of projects inspected at least once
The Commission will reduce processing time under its control, particularly through the use of collaborative procedures and early involvement of staff	Increased use of collaborative processes	License filings using some form of collaborative process were completed in 0.99 years on average. Others averaged 2.77 years to complete. In FY 2000, 40% of licenses issued involved settlements, up from 17% in FY 1999.
Licensing conditions will protect and enhance beneficial public uses, both developmental and nondevelopmental	Continue systems development	The Commission upgraded its automated system to track both the conditions built into licenses and the monitored results
Administration of hydropower developments will accommodate increasing public use without diminishing key water resource values	Monitor baseline data	During FY 2000, the Commission issued licenses for 10 hydroelectric projects. Of these, 5 were required to install new or upgraded recreational facilities. The remaining 5 were deemed adequate.
The percentage of high- and significant-hazard dams meeting all current structural safety standards will remain uniformly high	Maintain current high standards	92.8 % of high- and significant-hazard dams meeting all current structural safety standards
One hundred percent of high- and significant-hazard dams will be inspected annually	100% of qualifying dams inspected annually	100% of qualifying dams were inspected
One hundred percent of high- and significant-hazard dams will comply with emergency action plan requirements	100% of qualifying dams in compliance	99.7% of qualifying dams were in compliance

<b>FY 2001</b>		
<b>Measurement</b>	<b>Target</b>	<b>Result</b>
Percentage of cases completed in specified time	82% of cases completed within specified time frames: 1. Cases that involve no precedential issues and are unprotested, 159 days; 2. Cases that involve no precedential issues and are protested, 304 days; and 3. Cases of first impression or containing larger policy implications, 365 days	Number of days to complete 82% of the cases: ▶ 136 days for Category 1; ▶ 200 days for Category 2; and ▶ 277 days for Category 3.
Number of major onshore projects inspected at least every four weeks	Inspect each major onshore project at least once every four weeks	All six major onshore projects were inspected at least once every four weeks
Percentage of hydropower licenses issued that contain adaptive management provisions	5% increase over baseline	18% increase over baseline
Percentage of filings containing some form of collaboration	5% increase over baseline	33% increase over baseline
License processing time when pre-filing collaboration occurred compared to license processing time when pre-filing collaboration did not occur	10% less processing time	63% less processing time

**(Continued on next page.)**

**FY 2003 Congressional Budget Request and Performance Plan**

<b>FY 2001</b>		
<b>Measurement</b>	<b>Target</b>	<b>Result</b>
Percentage of high- and significant-hazard potential dams meeting all current structural safety standards	90% of qualifying dams	94% of high- and significant-hazard potential dams met all current structural safety standards
Percentage of dams requiring EAPs that have tested, evaluated plans	99% of qualifying dams	99.9% of dams requiring EAPs had tested, evaluated plans
Percentage of dams with EAPs that have acceptance and certification from licensees and emergency response agencies	90% of qualifying dams	100% of dams with EAPs had acceptance and certification from licensees and emergency response agencies

<b>FY 2002</b>		
<b>Measurement</b>	<b>Target</b>	<b>Result</b>
Percentage of cases completed in specified time	Specified time frames for FY 2002 to be determined in FY 2001	
Inspect each major onshore construction projects at least once every four weeks during construction and at least once after construction completion	100% of qualifying projects inspected per established schedule	
Increase the percentage of licenses issued for applications using ALP	2% increase over FY 2001	
Evaluate and improve effective-ness of required environmental enhancement and mitigation measures	Conduct 5 site visits to evaluate effectiveness	
	Hold 2 regional meetings with stakeholders	
	Initiate annual reports to evaluate the effectiveness of this effort	
Percentage of filings addressing the development of increased capacity	25% of all relicense cases using ALP or other collaborative process	
Percentage of high- and significant-hazard potential dams meeting all current structural safety standards	Percentage remains uniformly high	
Percentage of high- and significant-hazard potential dams inspected annually	100% of qualifying dams inspected annually	
Percentage of high- and significant-hazard potential dams in compliance with emergency action plan requirements	100% of qualifying dams in compliance	
Update and add new chapters to the Engineering Guidelines, as appropriate	Complete revisions to Chapter 3 - Gravity Dams	
Complete development of the dam performance monitoring program	Performance monitoring program established	

**Federal Energy Regulatory Commission**

<b>FY 2003</b>		
<b>Measurement</b>	<b>Target</b>	<b>Result</b>
Percentage of natural gas pipelines with approved Order No. 637 compliance filings	100% of pipelines subject to Order No. 637	
Statutory cases by workload category	All cases competed by statutory action date	
Number of cases requiring additional remedial action	Less than 20% of all cases processed in FY 2002 require additional remedial action, with a 5% improvement for FY 2003	
Completion of interconnection proceeding	Adopt new interconnection standard agreement by October 31, 2002	
Percentage of pipeline certificate cases completed in specified time frames	85% of cases completed within the following time frames: <ul style="list-style-type: none"> <li>▸ unprotested cases that involve no precedential issues, 159 days</li> <li>▸ protested cases that involve no precedential issues, 304 days</li> <li>▸ cases of first impression or containing larger policy implications, 365 days</li> <li>▸ cases requiring a major environmental assessment or environmental impact statement, 480 days</li> </ul>	
Percentage of filings addressing the development of increased hydropower capacity	25% of all relicense cases using ALP	
Increase non-federal hydropower capacity	Complete license amendments proposing increased capacity/generation in less than 12 months	
Percentage of hydropower licenses approved within specified time frames	75% of licenses approved within the following time frames: <ul style="list-style-type: none"> <li>▸ ALP median case, less than 16 months</li> <li>▸ Traditional median case, less than 43 months</li> </ul>	
Inspect each major onshore pipeline project at least once every four weeks during construction and at least once after construction completion	100% of qualifying projects inspected per established schedule	
Increase the percentage of hydropower licenses issued using alternative licensing process (ALP)	2% increase over FY 2002	
Evaluate and improve the effectiveness of required environmental enhancement and mitigation measures in hydropower licenses	<ul style="list-style-type: none"> <li>▸ Conduct 5 site visits</li> <li>▸ Hold 2 regional meetings with stakeholders</li> <li>▸ Disseminate 2 environmental effectiveness reports</li> </ul>	
Percentage of high- and significant- hazard-potential dams inspected annually	100% of high- and significant-hazard-potential dams inspected annually	
Percentage of high- and significant-hazard-potential dams meeting all current structural safety standards	Percentage of high- and significant-hazard-potential dams meeting all current structural safety standards remains uniformly high	
Percentage of high- and significant-hazard-potential dams in compliance with EAP requirements	100% of qualifying dams in compliance with EAP requirements	
Update and add new chapters to the Engineering Guidelines, as appropriate	Issue new or revised Engineering Guidelines chapters, as appropriate	

**Performance Measurements for Competitive Markets, FY 1999 – FY 2003**

FY 1999		
Measurement	Target	Result
Customers will have more new products and a reasonable range of suppliers from which to choose in both the electric and natural gas industries. This will indicate that commodity markets are reasonably competitive as well as responsive to customer needs	Establish baseline	<ul style="list-style-type: none"> <li>The Commission demonstrated that the number of power suppliers using market-based rates has grown dramatically since 1994</li> <li>Using service availability as a substitute for "new products," the Commission identified 5 electric transmission indicators and 15 new gas transportation services</li> </ul>
Natural gas and electric power prices will become more responsive to market conditions – that is, prices will reflect changing supply and demand conditions more clearly and more quickly	Establish baseline	Developed examples relating prices to underlying conditions, such as the weather
Natural gas prices within each trading region will tend to converge, except to the extent there are demonstrable transportation constraints or costs. Wholesale electricity price differences will also tend to narrow.	Establish baseline	As an example, the Commission demonstrated the convergence of prices in Texas and Louisiana from the spring of 1996 forward
It will be less costly, administratively, to transact business on the interstate natural gas transportation grid	Establish baseline	As a result of developments in electronic information exchange, large consumers of energy have unprecedented access to information

FY 2000		
Measurement	Target	Result
Customers will have more new products and a reasonable range of suppliers from which to choose in both the electric and natural gas industries. This will indicate that commodity markets are reasonably competitive as well as responsive to customer needs	Monitor the state of the markets	<ul style="list-style-type: none"> <li><b>Gas:</b> many new services offered over last few years; Order No. 637 encourages innovative transportation services</li> <li><b>Electric:</b> greater availability of spot markets, derivatives and other risk management instruments, and national online trading; Order No. 2000 encourages innovative transmission tariffs and services; many power suppliers using market-based rates</li> </ul>
Natural gas and electric power prices will become more responsive to market conditions – that is, prices will reflect changing supply and demand conditions more clearly and more quickly	Monitor the state of the markets	Prices for both gas and electricity very responsive to even small changes in supply and demand. Electric price volatility signals flawed market rules and need to increase supply, demand response and ability to manage risk
Natural gas prices within each trading region will tend to converge, except to the extent there are demonstrable transportation constraints or costs. Wholesale electricity price differences will also tend to narrow	Monitor the state of the markets	Persistent price differentials developed between West Coast (especially California) and supply regions, possibly signaling need for new transportation capacity
It will be less costly, administratively, to transact business on the interstate natural gas transportation grid	Monitor the state of the markets	Strong growth of online trading for both gas and electricity indicates greater availability of market-related services and probably declining transactions costs

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<b>FY 2001</b>		
<b>Measurement</b>	<b>Target</b>	<b>Result</b>
<ul style="list-style-type: none"> <li>Number and size of capacity holders by system</li> <li>Number and size of natural gas and electric secondary market participants</li> <li>Number and size of pipeline suppliers by region and major customer</li> <li>Number and size of electric power marketers</li> </ul>	Analyze the number and sizes, in conjunction with the measures for all indicators	<p>The Commission created a suite of performance indicators designed to track our success at developing energy markets. The indicators chosen were based on attributes we perceived to be necessary for markets to function. As noted previously, the events of the last year in the Western energy markets demonstrated that, while many of our perceptions were correct (i.e., prices certainly responded to external conditions), the dynamics of the markets exceeded our understanding. For this reason, we view this suite of indicators as a valid, but ultimately unsuccessful experiment, one which we are seeking to revise in concert with our new strategic direction.</p>
Increase in types of tariffed services offered (e.g., parking and lending in natural gas)	By their very nature, innovations cannot be specified. The Commission will look for patterns of innovation, track and report on them.	
Increased services in the market (develop a time line for different services, e.g., new futures exchanges), new types of products (e.g., weather derivatives) and independent exchanges		
Response of prices to external conditions in natural gas and electricity (e.g., events, weather, plant outages)	Large price changes should normally be associated with some clear external event	
Incidence of pricing anomalies for natural gas (where price and quantity appear to move in opposite directions)	Anomalies may indicate real market problems, problems in data, or unanticipated changes in how the market is working	
Level of price volatility and changes in price volatility in electricity and gas	Very high or very low prices can give an early warning for investigation	
Correlation of commodity prices across regions	Correlations should be near 1.0, except when transmission constraints bind and prevent free flow of commodities	
Narrowing of commodity price differences in the absence of transmission constraints		
Increased market integration (price changes appear to reflect inter-regional trading)		
Increased use of market hub services in natural gas and electricity	Establish a baseline	
Growth of electronic services for the commodity and/or transportation		
Increased economic transmission distance		

<b>FY 2002</b>		
<b>Measurement</b>	<b>Strategic Significance</b>	<b>Result</b>
<ul style="list-style-type: none"> <li>Number and size of capacity holders by market</li> <li>Number and size of natural gas and electric secondary market participants</li> <li>Number and size of pipeline suppliers by region and major customer</li> <li>Number and size of electric power marketers</li> </ul>	<ul style="list-style-type: none"> <li>Reasonable range of suppliers should lead to competitive pricing</li> <li>Participation indicates confidence in market rules and oversight</li> </ul>	
Increase in types of tariffed services offered (e.g., parking and lending in natural gas)	Innovation indicates markets are working and market participants are creating their own solutions	

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<b>FY 2002</b>		
<b>Measurement</b>	<b>Strategic Significance</b>	<b>Result</b>
Increased services in the market (develop a time line for different services, e.g., new futures exchanges, new types of products (e.g., weather derivatives) and independent exchanges)	New service offerings show adaptation to price volatility and help to stabilize markets through hedging of risks	
Volume of financial risk-hedging transactions, e. g. futures contracts	Viable financial markets provide critical support for physical markets	
Response of prices to external conditions in natural gas and electricity (e.g., events, weather, plant outages)	Large price changes should normally be associated with some clear external event	
Level of price volatility and changes in price volatility in electricity and gas	Changes in price patterns over time can reveal underlying market conditions	
Correlation of commodity prices across regions; narrowing of commodity price differences in the absence of transmission constraints	Correlations should be near 1.0, except when transmission constraints bind and prevent free flow of commodities	
Increased use of market hub services in natural gas and electricity	<ul style="list-style-type: none"> <li>• Increased usage of market infrastructure indicates market depth and liquidity</li> <li>• Increased electronic commerce reduces transactions costs and allows broader market participation</li> </ul>	
Growth of electronic services for the commodity and/or transportation		
Increased economic transmission distance		
Investment in generation and transmission	Investment should be adequate to meet market needs	
Number and type of reliability-related incidents (emergencies, involuntary load reductions, TLRs)	"Emergencies" should be infrequent; routine market rules should be able to handle most situations	
Amount of load covered by regional institutions	20% increase over FY 2001	
Amount of load with congestion management systems	20% increase over FY 2001	
Number of wholesale service options available	Increase	
Amount of load covered by regional institutions	20% increase over FY 2001	

<b>FY 2003</b>		
<b>Measurement</b>	<b>Target</b>	<b>Result</b>
Percentage of country covered by approved RTOs or ISOs (percentage of electricity load)	100% of electricity load in regions where we have jurisdiction	
Number of retail customers covered by approved RTOs and ISOs	Increase by the number of retail customers covered by 2 additional RTOs or ISOs	
Enhanced regulatory support for market institutions	Creation of OMOI and market performance indicators	

Performance Measurements for Market Oversight, FY 1999 – FY 2003

FY 1999		
Measurement	Target	Result
<p>Market participants will have confidence that natural gas markets, electric markets, and oil transportation services are working fairly and that they are not subject to abuses of market power. That is:</p> <ul style="list-style-type: none"> <li>• Broad customer classes (not necessarily every customer) will agree that buyers and sellers have access to competitively priced commodity markets in the national gas transportation and electric transmission grids</li> <li>• Customers will generally agree that gas pipe-line, electric transmission and oil transportation rates and services are just and reasonable, fairly balancing the competing interests of the transporting or transmitting companies and their customers</li> </ul>	<p>Establish baseline</p>	<p>The Commission was unable to survey market participants to develop a baseline</p>

FY 2000		
Measurement	Target	Result
<p>Market participants will have confidence that natural gas markets, electric markets, and oil transportation services are working fairly and that they are not subject to abuses of market power. That is:</p> <ul style="list-style-type: none"> <li>• Broad customer classes (not necessarily every customer) will agree that buyers and sellers have access to competitively priced commodity markets in the national gas transportation and electric transmission grids</li> <li>• Customers will generally agree that gas pipe-line, electric transmission and oil transportation rates and services are just and reasonable, fairly balancing the competing interests of the transporting or transmitting companies and their customers</li> </ul>	<p>Monitor the state of the markets</p>	<p>In response to electric power volatility, the Commission issued detailed studies of each regional bulk power market, which included consideration of a variety of market power issues</p>

FY 2001		
Measurement	Target	Result
<p>Percentage of respondents perceiving a lack of market power</p>	<p>Establish baseline</p>	<p>The Commission created a suite of performance indicators designed to track our success at developing energy markets. The indicators chosen were based on attributes we perceived to be necessary for markets to function. As noted previously, the events of the last year in the Western energy markets demonstrated that, while many of our perceptions were correct (i.e., prices certainly responded to external conditions), the dynamics of the markets exceeded our understanding. For this reason, we view this suite of indicators as a valid, but ultimately unsuccessful experiment, one which we are seeking to revise in concert with our new strategic direction.</p>

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<b>FY 2001</b>		
<b>Measurement</b>	<b>Target</b>	<b>Result</b>
Percentage of customers satisfied with ADR procedures at the Commission	75% satisfaction rate	<b>OALJ:</b> Participants report near 100% satisfaction with ADR <sup>6</sup> procedures. Satisfaction is indicated by calls from participants and by continuing and increasing requests for the appointment of settlement judges and mediators. <b>DRS:</b> 90% (20 out of 22 completed cases). <sup>7</sup>
Percentage of contested proceedings that achieve consensual agreements	25% increase over FY 2000	<b>OALJ:</b> During FY2001 80% of cases set for hearing were resolved through some form of ADR vs. 76.7% during FY2000. <b>DRS:</b> 90% vs. 89% during FY 2000. <sup>5</sup>
Number of requests and referrals for ADR services	Increase by 50% over FY 2000	<b>OALJ:</b> During FY2001 60 out of 77 cases (77.9%) terminated by OALJ were resolved through some means of ADR vs. 60 out of 83 cases (72.3%) during FY2000 <b>DRS:</b> 52 requests vs. 40 requests in FY 2000, a 30% increase. This includes simple inquiries about ADR, cases referred to DRS in which the parties indicated no interest in pursuing ADR, cases referred to Enforcement, and ongoing cases.
Percentage of ADR cases resolved or terminated within established time frames	<ul style="list-style-type: none"> <li>• 50% within 100 days</li> <li>• 75% within 150 days</li> <li>• 100% within 200 days</li> </ul>	<b>OALJ:</b> Of 60 cases: <ul style="list-style-type: none"> <li>• 10 cases settled within 100 days (17%)</li> <li>• 10 cases settled within 150 days (17%)</li> <li>• 11 cases settled within 200 days (18%)</li> <li>• 29 cases settled after 200 days (48.3%)</li> </ul> <b>DRS:</b> Of 22 completed cases: <ul style="list-style-type: none"> <li>• 8 cases completed within 100 days (36%)</li> <li>• 4 cases completed within 150 days (54%)</li> <li>• 5 cases completed within 200 days (77%)</li> <li>• 5 cases completed in over 200 days</li> </ul>

<b>FY 2002</b>		
<b>Measurement</b>	<b>Target</b>	<b>Result</b>
Number of market monitoring institutions and systems	Increase over FY 2001	
Number of public utilities separating ownership or operation of transmission facilities from generation	Increase over FY 2001	
Number of requests and referrals for ADR services	25% increase over FY 2001	
Percentage of customers satisfied with ADR processes	85%	

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<sup>6</sup>ADR is considered the “umbrella” of dispute resolution. Many forms of dispute resolution are encompassed within ADR, such as mediation, settlement judge procedures, mini-trials, arbitration, and combinations of these methods. Cases referred to OALJ for ADR involve disputes of hotly contested issues and millions of dollars. Due to the size and complexity of cases referred to OALJ for ADR, the process of achieving consensual resolution often involves considerable time and effort.

<sup>7</sup>This includes 5 cases begun in FY 2000 and completed in FY 2001. It does not include simple inquiries about ADR or cases in which parties expressed no interest in using ADR (11 cases), cases that were referred to Enforcement (2 cases), cases in which the DRS only coached parties, or cases that are were ongoing into FY 2002 (17 cases).

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<b>FY 2002</b>		
<b>Measurement</b>	<b>Target</b>	<b>Result</b>
Percentage of processes that achieve consensual agreements <ul style="list-style-type: none"> <li>• ADR processes</li> <li>• cases set for litigation resolved, at least in part, through consensual agreement</li> </ul>	<ul style="list-style-type: none"> <li>• 25% increase over FY 2001</li> <li>• 5% increase over FY 2001</li> </ul>	
Percentage of cases in time frames <ul style="list-style-type: none"> <li>• ADR processes completed</li> <li>• litigated cases reaching initial decision</li> </ul>	<ul style="list-style-type: none"> <li>• 20% of ADR cases within 60 days</li> <li>• 30% of ADR cases within 100 days</li> <li>• 75% of ADR cases within 150 days</li> <li>• 100% of ADR cases within 200 days</li> <li>• 95% of simple litigated cases within 206 days (29.5 weeks)</li> <li>• 95% of complex litigated cases within 329 days (47 weeks)</li> <li>• 95% of exceptionally complex cases, 441 (63 weeks)</li> <li>• 95% of regular complaints, 60 days</li> <li>• 95% of "fast track" complaints, 8 days</li> </ul>	

<b>FY 2003</b>		
<b>Measurement</b>	<b>Target</b>	<b>Result</b>
Enhance institutional capability for overseeing energy markets	<ul style="list-style-type: none"> <li>• Establish the Office of Market Oversight and Investigation</li> <li>• Publish regular summer and winter Seasonal Market Assessments</li> <li>• Develop metrics/indicators of gas and electric market performance measures – a working set by July 2002, and improvements in 2003</li> </ul>	
Top to bottom review of all existing information systems to monitor markets	Complete entire review	
Development or acquisition of usable electronic baselines and databases to support market oversight objectives	Complete development of all baselines and databases by end of FY 2003	
Development of market expertise	<ul style="list-style-type: none"> <li>• Training on market issues for 40% of OMOI and 20% of OMTR, OGC, and other staff</li> <li>• Hiring of staff with market expertise</li> <li>• Issuance of market assessment products and data analysis demonstrating market understanding</li> </ul>	
Establishment of protocols between the Commission and independent market monitoring units of RTOs	All approved RTOs	
Timeliness of corporate application orders	Less than 20% of merger applications will require examination or the imposition of mitigation measures beyond the initial review period, with such percentage targeted to decrease as further policy guidance is issued in cases requiring more time to address market power	
Timeliness of audits	Complete 90% of audits on time	
Timeliness of Hotline calls resolutions	Resolve 80% within 1 week of initial contact	
Timeliness of formal complaints resolutions	Complete 80% within target time frames for various paths for resolution of complaints as specified by the Commission	
Number of requests and referrals for ADR services	Maintain at or increase levels achieved in FY 2001	

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**FY 2003 Congressional Budget Request and Performance Plan**

<b>FY 2003</b>		
<b>Measurement</b>	<b>Target</b>	<b>Result</b>
Percentage of customers satisfied with ADR processes	85%	
Percentage of processes that achieve consensual agreements	Maintain at or increase levels achieved in FY 2001	
Percentage of cases in time frames <ul style="list-style-type: none"> <li>• ADR processes completed</li> <li>• litigated cases reaching initial decision</li> </ul>	<ul style="list-style-type: none"> <li>• 20% of ADR cases within 60 days</li> <li>• 30% of ADR cases within 100 days</li> <li>• 75% of ADR cases within 150 days</li> <li>• 100% of ADR cases within 200 days</li> <li>• 95% of simple litigated cases within 206 days (29.5 weeks)</li> <li>• 95% of complex litigated cases within 329 days (47 weeks)</li> <li>• 95% of exceptionally complex cases, 441 (63 weeks)</li> <li>• 95% of regular complaints, 60 days</li> <li>• 95% of "fast track" complaints, 8 days</li> </ul>	

**Performance Measurements for Resource Management, FY 1999 – FY 2003**

<b>FY 1999</b>		
<b>Measurement</b>	<b>Target</b>	<b>Result</b>
Reduce the processing time for docketed workload and for resolving disputes	None established	<ul style="list-style-type: none"> <li>• Met or exceeded processing targets for natural gas pipeline certificates</li> <li>• Demonstrated that collaborative process could reduce processing of hydropower licence applications to 0.99 years from 2.77 years</li> <li>• 80% of cases set for litigation reached full or partial settlement</li> </ul>
Minimize filing burden	None established	<ul style="list-style-type: none"> <li>• Issued two orders projected to save industry more than 230,000 hours in reporting time</li> <li>• Upgraded software on several automated forms</li> </ul>
Generate better information for use by the industries	None established	<ul style="list-style-type: none"> <li>• Added new features to automated systems</li> <li>• Began process of Internet site redesign</li> </ul>
Continue to receive an unqualified audit opinion on the Annual Financial Statements	Unqualified opinion	Unqualified opinion received
Formulate the budget so that current year costs are within 5% of the total budgetary resources for the fiscal year	Spending within 5% of funding	Actual spending was within 2.8% of funding
Pay 95% of all payments accurately and on time: vendors within the time required by the Prompt Payment Act; internal customers in 10 days or less	95% of payments to external vendors made timely and accurately; payments to internal customers in 10 days or less	99.57% of external payments were made within the established time frames. Internal payments averaged 3.9 days.
Meet or exceed planned due dates 90% of the time for performing and completing FMFIA requirements and internal financial and performance reviews	Meet or exceed planned due dates 90% of the time	Met 100% of planned due dates

<b>FY 2000</b>		
<b>Measurement</b>	<b>Target</b>	<b>Result</b>
Reduce the processing time for docketed workload and for resolving disputes	None established	<ul style="list-style-type: none"> <li>• Met or exceeded processing targets for natural gas pipeline certificates</li> <li>• Set new time lines to reduce average litigation times by up to one quarter. Designated times were met in 80% of cases.</li> <li>• 52% of cases set for hearing were mediated</li> <li>• Average time for approval of uncontested settlements dropped from more than 100 days to 47 days</li> </ul>
Minimize filing burden	None established	<ul style="list-style-type: none"> <li>• Revised accounting and reporting requirements to reduce information reporting and maintenance burden by 25%, and updated records retention requirements</li> <li>• Initiated e-filing pilot for 35% of Commission's filings</li> </ul>
Generate better information for use by the industries	None established	Extended use of Internet to disseminate dam safety information, pilot e-filings, and issue notices, orders, and major rules
Continue to receive an unqualified audit opinion on the Annual Financial Statements	Unqualified opinion	Unqualified opinion received

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<b>FY 2000</b>		
<b>Measurement</b>	<b>Target</b>	<b>Result</b>
Formulate the budget so that current year costs are within 5% of the total budgetary resources for the fiscal year	Spending within 5% of funding	Actual spending was within 5% of funding
Pay 95% of all payments accurately and on time: vendors within the time required by the Prompt Payment Act; internal customers in 10 days or less	95% of payments to external vendors made timely and accurately; payments to internal customers in 10 days or less	On-time invoice payments at 85%. (Early payments made to close out old system and implement new one.) Internal payments averaged 2.6 days.
Meet or exceed planned due dates 90% of the time for performing and completing FMFIA requirements and internal financial and performance reviews	Meet or exceed planned due dates 90% of the time	Met 100% of planned due dates

<b>FY 2001</b>		
<b>Measurement</b>	<b>Target</b>	<b>Result</b>
Percentage of filings that FERC is capable of receiving electronically	Capability to receive 50% of filings electronically	Capability to receive 38% of filings electronically by the end of FY 2001. Percentage brought to 46% by mid-November 2001.
Percentage of filings submitted electronically	50% of filings FERC is capable of receiving electronically are submitted electronically	17% of filings FERC is capable of receiving electronically are submitted electronically. 30% reached by October 31.
Timely issuance of notices/orders	95% of gas and electric notices and orders issued within 5 workdays	97% of gas and electric notices/orders issued within 5 workdays
Unqualified opinion on external audits	Unqualified opinion	Unqualified opinion received for FY 2001.
Percentage of office directors operating within designated salary budgets	80%	100% of office directors operated within designated salary budgets.
Percentage of payments made within Prompt Payment Act requirements	95%	81%
Number of days to award purchase orders	Within 5 days of receipt of notification	98% of purchase orders awarded within 5 days of receipt of requisition
Number of days to award contracts	Within 30 days of receipt of notification	95% of contracts awarded within 30 days of receipt of requisitions
Number of award fee contracts	Increase by 10% over FY 2000	Award fee contracts and firm fixed price contracts increased by 10% over FY 2000 levels.
Percentage of respondents giving positive ratings for "FERC focusing on the right things"	10% increase over baseline	The Commission adopted a new Strategic Plan to focus on important issues arising from the Western Market meltdown. No surveys done during this times of great pressure and uncertainty.
Percentage of employees in under-represented groups	Increase Hispanic employee population by 5%	The Commission increased its Hispanic employee population by 10 percent.
Percentage of senior executives participating in FERC's diversity initiative	100% of the office directors will have participated in the first phase	<ul style="list-style-type: none"> <li>▶ 100 percent of office directors participated in discussions with the Diversity Council concerning the direction of diversity at FERC.</li> <li>▶ 25 percent of office directors actively participated in minority recruitment activities.</li> </ul>
Percentage of supervisory participation in LEaD	100% of supervisors and managers will have completed training on the 5 leadership behaviors	100% of supervisors and managers (including new supervisors, managers, and team leaders) have completed training on the 5 leadership behaviors.

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**Federal Energy Regulatory Commission**

<b>FY 2001</b>		
<b>Measurement</b>	<b>Target</b>	<b>Result</b>
Number of learning agreements	5% increase over FY 2000	29 employees on learning agreements in FY 2001, the first year of reporting
Number of mentor/protegee teams	10 mentor/protegee teams	At least 15 mentor/protege teams

<b>FY 2002</b>		
<b>Measurement</b>	<b>Target</b>	<b>Results</b>
Number of documents and filings available and received electronically	10% increase over FY 2001	
Reliability of IT infrastructure services	<ul style="list-style-type: none"> <li>• 98% network availability</li> <li>• 33% annual PC replacement</li> <li>• 98% Internet site availability</li> </ul>	
Percentage of agenda items issued within 5 working days of a Commission meeting	100%	
Percentage of electric notices issued within 5 working days of receipt of filing	95%	
Unqualified opinion on annual financial statements	Unqualified opinion	
Monitor manage-to-budget concept	Track biweekly; review quarterly	
Effective and efficient financial and administrative support	<ul style="list-style-type: none"> <li>• Collect annual charges within 45 days of billing</li> <li>• 98% of invoices paid by electronic funds transfer</li> <li>• 1% increase in contract awards and purchase orders to small, minority, and women-owned businesses</li> <li>• All contracts advertised online</li> <li>• All contracts performance-based</li> </ul>	
Increase diversity of staff in high grades	Increase diversity in GS-14, GS-15, and SES positions by 10% over current baseline	
Number of new hires from recruitment program	Meet the Commission's need for new talent through targeted recruitment, with 50% at entry levels	
Staff participation in learning and development programs	<ul style="list-style-type: none"> <li>• Expand leadership development program</li> <li>• Implement development plans for 20% of staff</li> <li>• Initiate employee rotational development program</li> </ul>	
Periodic manager-staff discussions about performance accomplishments and improvements	Expand to 3 major offices the program for quarterly discussions on performance objectives	
Percentage of awards presented for helping accomplish specific Commission goals	More than 50% of awards for quality service based on accomplishments supporting strategic objectives	

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<b>FY 2003</b>		
<b>Measurement</b>	<b>Target</b>	<b>Results</b>
Number of new hires from recruitment program	Attract new talent through targeted recruitment, with 50% at entry levels	
New staff from summer intern program	<ul style="list-style-type: none"> <li>• Expand program by 50%</li> <li>• Hire 30% of participants into permanent positions</li> </ul>	
Increase diversity of staff in high grades	Continue increasing diversity in GS-14, GS-15 and SES positions	
Increase average supervisor-to-staff ratios	Increase ratio from 1:8 to 1:9	
Improved executive performance	Implement 360 degree assessment of senior staff	
Percentage of transactions accepted electronically	95% of transactions accepted electronically	
Percentage of e-issuance versus paper	90% of issuances accepted electronically	
Improved Web site	<ul style="list-style-type: none"> <li>• Redesigned Web site</li> <li>• 99% availability</li> </ul>	
Timeliness of getting public documents online	99% within 24 hours of receipt or issuance	
Network availability	99%	
Standard office automation platform and PC rate of refresh	33%	
Timeliness of virus definition files updates on servers and workstations	Updates within 24 hours from release by vendors	
IT system changes to comply with enterprise IT architecture and configuration management practices	Implement 98% reviews	
Improved integration of work processes and electronic filing	Refresh integrated filing, docket, and document management system	
Monitoring of manage-to-budget process	Bi-weekly tracking of office salary levels and quarterly review of salary levels between CFO and Office Directors	
Timeliness of annual charges collections	Within 45 days of billing	
Invoices paid by electronic funds transfer	98%	
Accuracy and completeness of annual financial statements	Unqualified opinion	
Percentage of contracts performance-based	100%	
Percentage of contracts advertised online	100%	