



FEDERAL ENERGY REGULATORY COMMISSION

October 16, 2008

Commissioner Marc Spitzer

Docket Nos. RM07-19-000 and AD07-7-000

Item No. E-1

Statement of Commissioner Marc Spitzer on Wholesale Competition in Regions with Organized Markets

"Since the late 1970s, Congress has made clear that the optimal means to ensure just and reasonable rates for consumers is through use of competitive markets. However, we all agree that competition needs to be meaningful – which means that the markets must be properly designed and implemented. They also must be vigorously monitored to prevent, and punish, the exercise of market power or manipulation. Today's order establishes new rules that will ensure the organized wholesale markets remain competitive. These rules will also provide the Commission and others with additional means to monitor the nation's organized wholesale markets.

The first half of the order addresses pricing during periods of operating reserve shortages. The order strikes the right balance in allowing energy to be priced at its real value during shortages while, at the same time, providing means for demand to respond to changes in prices. The sending of accurate price signals, and the ability to respond to them, are the hallmarks of a competitive market. The balance struck by the order ensures that customers are protected. Not only does the order provide better means for customers to respond to price changes, it also requires the RTO and ISO to demonstrate that adequate market power mitigation mechanisms are in place before it can implement any scarcity pricing program. These changes should lead to increases in new generation, new demand resources, and much needed options, both physical and intellectual.

Today's order also provides further benefits to consumers by clarifying, and strengthening, the role that market monitors play in analyzing and reviewing their respective markets. For example, the order increases the independence of the market monitors from the RTO and ISO. The order also requires that the boards and management of the RTOs and ISOs be more responsive.

Finally, the order addresses long-term contracting. Under the Federal Power Act the Commission has no real ability to direct a seller to sell or a buyer to buy. However, aspects of the order, such as the requirement for RTOs and ISOs to establish a website "bulletin board" for posting long-term offers to sell or buy electric power, may foster long-term, contracts to allow both buyer and seller to avoid the risks of a volatile short-term market.

For these reasons I support today's order. I thank staff that has worked on this matter for over a year. Their hard work is greatly appreciated."