NARUC

Serving the consumer interest by seeking to improve the quality and effectiveness of public utility regulation in America.

Unbundling of Network Operators: U.S. Network Industry Structure

Commissioner Philip B. Jones, President, NARUC;
Commissioner, Washington Utilities
and Transportation Commission

10th EU-US Energy Regulators Roundtable
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NARUC Disclaimer

- **No position supporting or opposing retail markets, restructuring**
- **States should determine what works best for them**
- **Each structure has pros, cons**

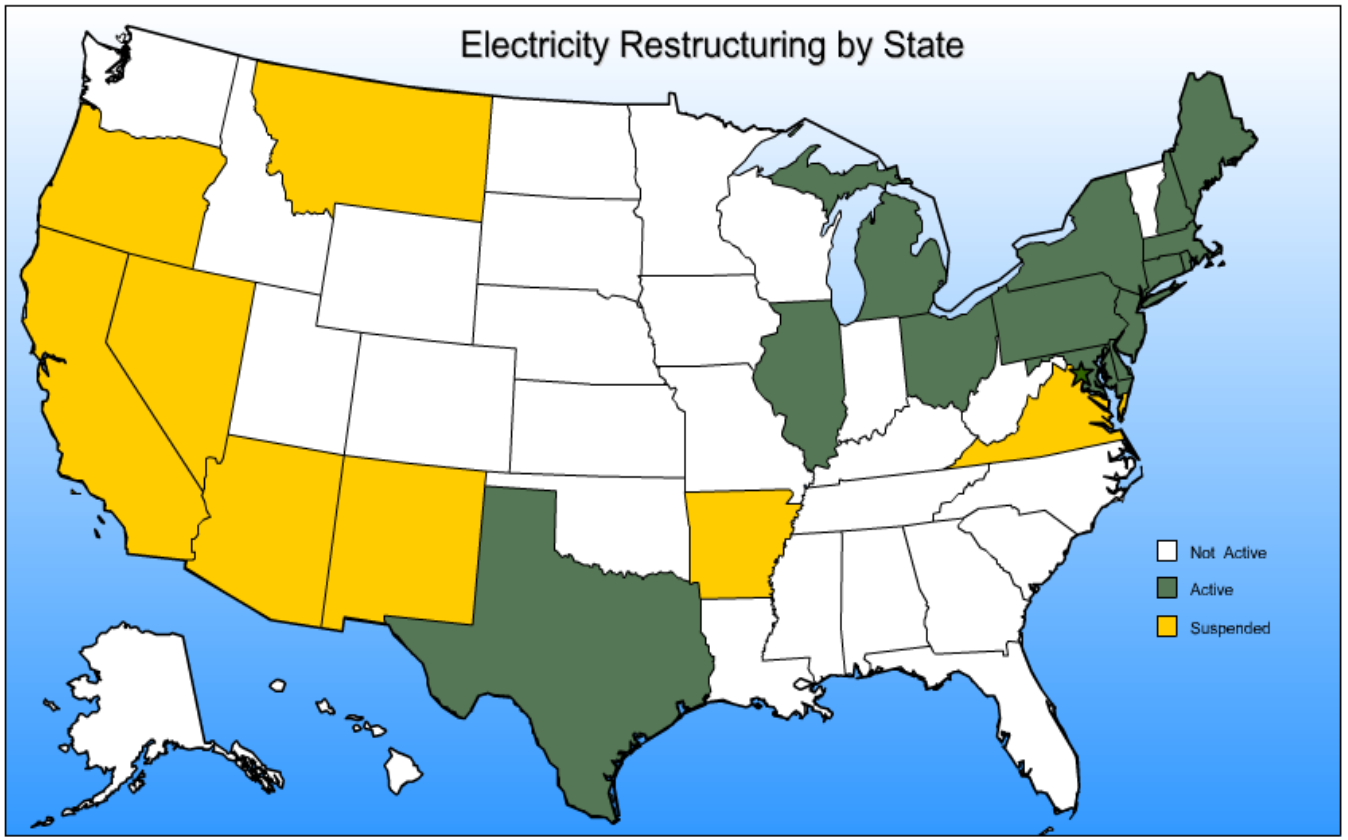
US Market Structure

- **Dual Regulatory Structure**
  - **US Federal Energy Regulatory Commission**
    - **Wholesale sales, interstate transmission services**
  - **State utility commissions**
    - **Retail sales, vertically integrated services, transmission siting, planning, distribution**

US Market Structure

- **Traditional Utility Markets**
  - **Vertically integrated utilities**
    - **Fully regulated by States, except for wholesale sales and transmission services if in RTO**
    - **Monopolies—own generation, transmission, distribution**
  - **Organized Markets**
    - **Utilities divested or spun off generation, gave control of transmission to RTO/grid operator**
    - **Many operate in retail markets where consumers 'shop' for power**

Electric Retail Competition in US

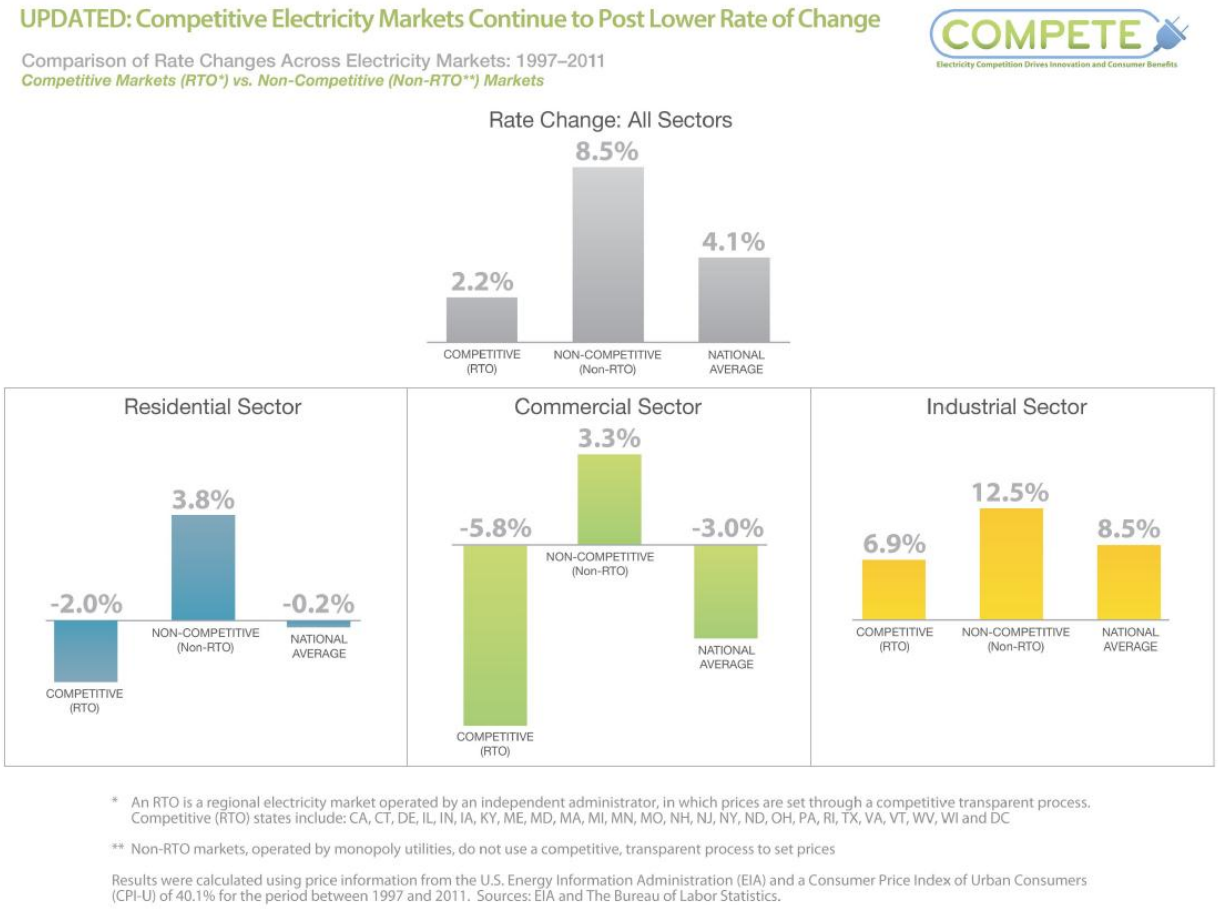


Map courtesy of the U.S. Energy Information Administration

Electric Retail Competition in US

- **2000-2001 Western Energy Crisis**
  - **Intense heat, vulnerable market design led to Wild West**
    - **Skyrocketing electricity prices, supply shortages**
- **Political Fall Guy: California Gov. Gray Davis**
  - **Once promising career ended after becoming second US governor to be recalled**
- **Result: Retail competition halted, six States suspended and abandoned plans**

Electric Retail Competition in US



- Chart courtesy of the COMPETE Coalition

More Recent Developments

- **Jurisdictional Blurring**
  - **New transmission, generation being built, is the market providing the right incentives? What happens if not?**
  - **Federal efforts on transmission, generation—FERC interest in long-distance power lines, States, localities interest in microgrids, DG**
- **Flat utility sales**
  - **New transmission, generation being built, is the market providing the right incentives? What happens if not?**
- **Renewable Energy**
- **EPA Rules**

More Recent Developments

- **New Technologies**
- **Infrastructure Costs**
- **Retail competition momentum seems stuck**
- **Yet those States with choice are pleased**
- **We are where we are, and that's where we'll be**

Questions?

- Questions?