
OFFICE OF GOVERNOR RONNIE MUSGROVE
INTEROFFICE MEMORANDUM

TO: GOVERNOR
FROM: BOYD
SUBJECT: REGIONAL TRANSMISSION ORGANIZATIONS
DATE: SEPTEMBER 8, 2001
CC: RENICK

Regional Transmission Organizations (RTOs) are becoming prominent issue in the media and among electricity generation corporations. The Federal Energy Regulatory Commission (FERC) set forth the creation of 5 RTOs, which would control and maintain the electricity delivery infrastructure.

Pros:

- Facilitates the development of a wholesale competitive market system for electricity delivery.
- Creates a similar market to the natural gas system, where producers and service providers are separate.

Cons:

- **Adds cost** for administrative overhead to manage which will be passed along to all customers (residential and commercial).
- May compromise **reliability** by detract service for small, rural areas for large, populous areas.
- **Removes authority** from local and state control (i.e., PSC).
- Provides *eminent domain* powers for regional authority that would override local and state regulations.
- Large portions of the delivery systems are owned by *non-jurisdictional entities* (i.e., TVA, Los Angeles Water and Power, Nebraska Power District, Bonneville Power Authority) do not have to participate in FERC directives.
- May create another “BIG STICK” for states to comply with federal directives (i.e., highways and transportation).

The timeline for the FERC’s action in the Southern Grid is eminent. The FERC sought RTO plans from each electric generation company in July. FERC rejected the multiple plans and has

entered into arbitration with the companies. *A decision is expected in the next week regarding the consolidation of electrical delivery infrastructure.* The FERC has set December 2001 as the deadline for establishing the Southern Grid RTO.

Entergy supports the RTO concept and is prepared to spin its electrical delivery system into a separate company. Mississippi Power and the Southern Company are not interested in divesting their infrastructure.

ANALYSIS

FERC has set a deadline to resolve RTO issues by 12/15/01. What's the hurry? The FERC has is pushing the national energy agenda of the President which has not been adopted by Congress and does not include sufficient discussion from regional, state and local entities.

RECOMMEDATION

Your SSEB acceptance speech should include language that would seek time for reflection on the RTO issue. The SSEB is uniquely positioned to work with the utility companies, governors, public service commissions, and legislators to comprehend this issue. This will be a very strong statement with Vice President Chaney coming in Tuesday to speak.