

## It's Time to Adopt the Standard Market Design

Did you see the picture of the transmission line into Baghdad?

Sabotaged and looking like “little tin soldiers,.... all in a row.” And, where were you when the lights went out in the Northeastern U.S.? Eastern Canada? Italy? London? North Carolina? Norway? How many grid episodes will it take to make the point that power customers are vulnerable when most of the generating capacity is at central generating stations and very little is in the form of distributed generation (DG)?

Will any of this impact current policy? Will this be a major impetus for distributed generation? I don't think so!

If there is one thing the current administration does well, it is to delegate. It does it both to resolve problems, and to deflect criticism. In the case of the now infamous Northeast Power Outage, this delegation does appear to have been done in a sincere attempt to establish root cause and take corrective action.

Unfortunately, when you delegate, it is almost always to the incumbent. There is really no other credible choice. In this case the incumbent is the friendly electric utility, who is now and always has been opposed to the development of any independent generating capability that would or could by-pass them. Are we expecting any major change here? Not hardly!

The Energy Bill is thought to be a beneficial outcome with the power outages adding impetus to its passage, but administration and congress seem to be focused on the wrong issues and, at the same time determined to substantially lessen the environmental drivers essential to broad-based DG deployment.

We all know that deregulation and the rules that govern its implementation are largely determined at the state level, and that the utilities control the state PUCs. The Federal Energy Regulatory Commission's (FERC) Standard Market Design is an attempt to exert federal oversight to balance the perspectives and to actually create a market opportunity for other than the incumbents.

Standard Market Design and Structure (SMD) key features are:

- The formation of regional transmission organizations (RTOs).
- Ensuring that all independent transmission organizations have sound wholesale market rules.
- Varying implementation schedules depending on regional needs and regional differences.

The FERC's proposal has taken into consideration the experiences in this country and abroad in electric market design, including:

- The effects of supply shortages.
- Demand that does not respond to high prices.
- Lack of price transparency in the marketplace.
- The importance of market monitoring and market power mitigation.

Unfortunately, the incumbents know all too well that the Standard Market Design will force them to compete on the basis of merit, not influence, and have politicized the debate through their paid-for and elected representatives. I expect that this is why the issue is not currently on the energy bill radar screen.

The Energy Bill is now in a conference committee, which must resolve the differences between the versions passed by the Senate and the House of Representatives. Some 20 senators from the Northeast and Midwest called for the conference not to delay the adoption of the Standard Market Design, but Southern senators say the plan will penalize their ratepayers and won a pledge from Sen. Peter Domenici and the White House to delay the plan.

There is also a change in permitting for (coal fired) plant modernizations, allowing up to 20% of the plant value per year to be spent on upgrades without triggering stricter emission compliance. With all these competing interests, draw your own conclusions about the real impact these outages will have on policy. The real issue is FERC's Standard Market Design.

Peter Baldwin  
Contributing Editor  
[pete\\_baldwin@base-e.net](mailto:pete_baldwin@base-e.net)

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