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June 7, 2001

The Honorable David P. Boergers
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

**RE: Docket No. PL01-5-000 - Conference on RTO
Interregional Coordination**

Dear Secretary Boergers:

The National Energy Marketers Association (NEM) is submitting this letter to indicate its interest in making a statement at the June 19, 2001, technical conference in the above-referenced proceeding. NEM would appreciate the opportunity to participate in the discussion of the implementation of Function 8 of Order No. 2000 - Interregional Coordination, as it applies to Regional Transmission Organizations (RTOs). NEM would appreciate the opportunity to have two participants make statements as follows: Craig Goodman, President of NEM, and one Chair of NEM's Federal Policy Committee.

NEM is a national, non-profit trade association representing both wholesale and retail marketers of energy and energy-related products, services, information and technologies throughout the United States. NEM's membership includes: small regional marketers, large international wholesale and retail energy suppliers, billing and metering firms, Internet energy providers, energy-related software developers, risk managers, energy brokerage firms, information technology providers and both manufacturers and suppliers of advanced distributed generation. Our membership has both affiliated and unaffiliated companies.

This regionally diverse, broad-based coalition of energy and technology firms have come together under the NEM auspices to forge consensus and to help eliminate as many issues as possible that would delay competition. NEM is committed to working with representatives of state and federal governments, large and small consumer groups and

utilities to devise fair and effective ways to implement the competitive restructuring of electricity and natural gas markets.

NEM commends the Commission for instituting this proceeding to provide guidance on the implementation of interregional coordination under Order 2000. Under the present regime, key buyer goals – foremost among them being price and delivery certainty – cannot dependably be met because of the lack of coordination of the grid on a regional basis and the resulting uncertainty as to the availability of transmission capacity. Without the access and seams issues resolved, liquid wholesale markets and price competitive retail markets will be difficult to achieve.

Properly configured and incented Regional Transmission Organizations (RTOs) can be an appropriate means of resolving many remaining impediments, particularly those that have a regional genesis, e.g., loop flow, and those that have to do with assuring that the transmission grid is operated in a non-discriminatory manner.

NEM asserts that FERC should fully utilize its authority to order regionalization of the nation's power grid under independent and accountable management. Towards that end, FERC should (1) take the bold steps necessary to create larger regional transmission organizations (RTOs) and to force maximum participation into these organizations under truly independent operational control with appropriate incentives and accountability, (2) financially structure regional grid management and operations to optimize throughput and operational integrity, (3) require all ATC calculations be made on a regional basis, (4) prohibit pancaking of rates within any region, and (5) prohibit financial conflicts of interest among the owners of generation, transmission and distribution assets within the region.

NEM also argues that FERC should require that all jurisdictional transmission services be unbundled and that all electricity providers reserve, purchase, schedule and curtail transmission services under the same uniform, non-discriminatory, open-access transmission tariff. This tariff would be applicable on a uniform, non-discriminatory basis to all transactions, including those currently designated as “native load.” Existing regulatory preferences that foster discrimination in favor of native load are inhibiting the growth of an efficient, liquid and workably competitive market. Competitive energy

suppliers are experiencing significant difficulties in obtaining transmission access and scheduling power deliveries, particularly when the operating entity responsible for transmission scheduling owns or dispatches either generation assets or transmission service or both. Providing all transmission service on comparable, uniform, non-discriminatory terms and conditions, regardless of corporate affiliation or destination of load is a prerequisite to a competitive electrical power market. Future load growth and plant additions should be motivated by competitive market forces.

FERC should make transmission services sufficiently uniform to be transferable and tradable. Liquidity of transactions in the wholesale electric market is the linchpin of an efficient competitive retail marketplace. Non-discriminatory, uniform, comparable and transferable rights to transmission services are vital to accomplish these competitive goals.

The time has come to expand, clarify and enforce specific provisions that will enhance the competitive viability of the wholesale electricity market and provide the foundation for meaningful retail access and customer choice for all classes of customers at the earliest possible date. Accordingly, NEM would appreciate the opportunity to participate in the discussion of implementation of Function 8 of Order No. 2000 - Interregional Coordination.

Sincerely,

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