Successful Market Design:
What Should A State Want?

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Who is This Guy?

- I Am From a Regulated State
- I am From a Low Cost State
- I am a Firm Believer That Competitive Markets NEED Regulation
- I am a Firm Believer That States Have a Vital Role in Market Design
- I am From a State That Produces 97% of It’s Electricity From Coal
Why Then Support RTOs & Market Design?

- Electrons Cross State Boarders
- Independent Marketers Cross State Boarders
- Regulated Utilities Cross State Boarders
- State Regulators Can NOT Cross Boarders
Why Then Support RTOs & Market Design?

• 1992 Energy Policy Act
• 10 Years of Competitive Markets
• 40% of Power Comes from Non-affiliated Power Companies
• Markets ARE Interconnected
• Our Rate-payers Benefit
Illustration of peak traffic volumes based on statewide planning surveys of the 1930s.
"Together, the united forces of our communication and transportation systems are dynamic elements in the very name we bear - United States. Without them, we would be a mere alliance of many separate parts."

- President Dwight D. Eisenhower, Feb. 22, 1955
Market Design?
What Should a State Want?

An electric power grid as reliable and economically efficient as reasonably possible.
Reliability!

Or,

Said

Another Way . . .
Market Design - Reliability

- Communication
- Transparency
- Security Constrained … Dispatch
- Elimination of Pancaked Rates
- Locational Marginal Pricing
  - Firm Transmission Rights
  - Reactive Power
- Coordinated Planning
Market Design - Economic Efficiency

- Communication
- Transparency
- Security Constrained Economic Dispatch
- Elimination of Pancaked Rates
- Locational Marginal Pricing
  - Firm Transmission Rights
  - Reactive Power
- Coordinated Planning
Market Design – Include State Commissions

• Regional Coordination
  – Resource Adequacy Standards
  – Transmission Planning and Expansion
  – Rate Design and Revenue Requirements
  – Market Power and Market Monitoring
  – Demand Response and Load Management
  – Distributed Generation and Interconnection Policies
  – Energy Efficiency and Environmental Issues
  – Management and Budget Review of RTOs
What’s the Good Business Reason for Doing This?
What Should a State Want?

An electric power grid as reliable and economically efficient as reasonably possible.