



REGIONAL RESOURCE

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Regional Transmission Organization Presence and Activities in Southern States

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In December 1999, the United States Federal Energy Regulatory Commission (FERC) issued Order No. 2000, requiring all public utilities that own, operate or control interstate transmission facilities to file a proposal or a progress report on how they would create or join a Regional Transmission Organization (RTO), or to describe any barriers to joining or forming such a group. In short, an RTO acts as an umbrella organization that brings all public utility transmission systems within a region under common control, and FERC had hoped to complete the RTO formation process by December 12, 2001.

The RTO concept was developed to help support the deregulation of the electricity industry and bring the economic benefits of competition to the nation's electric market. FERC believes that RTOs, by accurately determining the number of paths through which electricity must flow, could create efficiency by reducing the "pancaking" or piling on of different rate structures as electricity travels from its generator to the end user in a competitive wholesale market. The goal of the RTO, as outlined by FERC, is to coordinate the electrical grid on a regional basis in order to open non-discriminatory access to the participants' combined transmission assets by ensuring adequate infrastructure, balanced market rules and market monitoring.

FERC's ambitious plan of having all electric transmission owners join RTOs by late 2001 did not come to fruition due to various factors. In particular, public service commissions in several Southern and Midwestern states, where electricity rates traditionally have been lower than in other parts of the country, have voiced concerns that RTOs could transfer some of their retail transmission authority to federal regulators and that RTO membership and start-up costs would increase electricity rates to consumers.

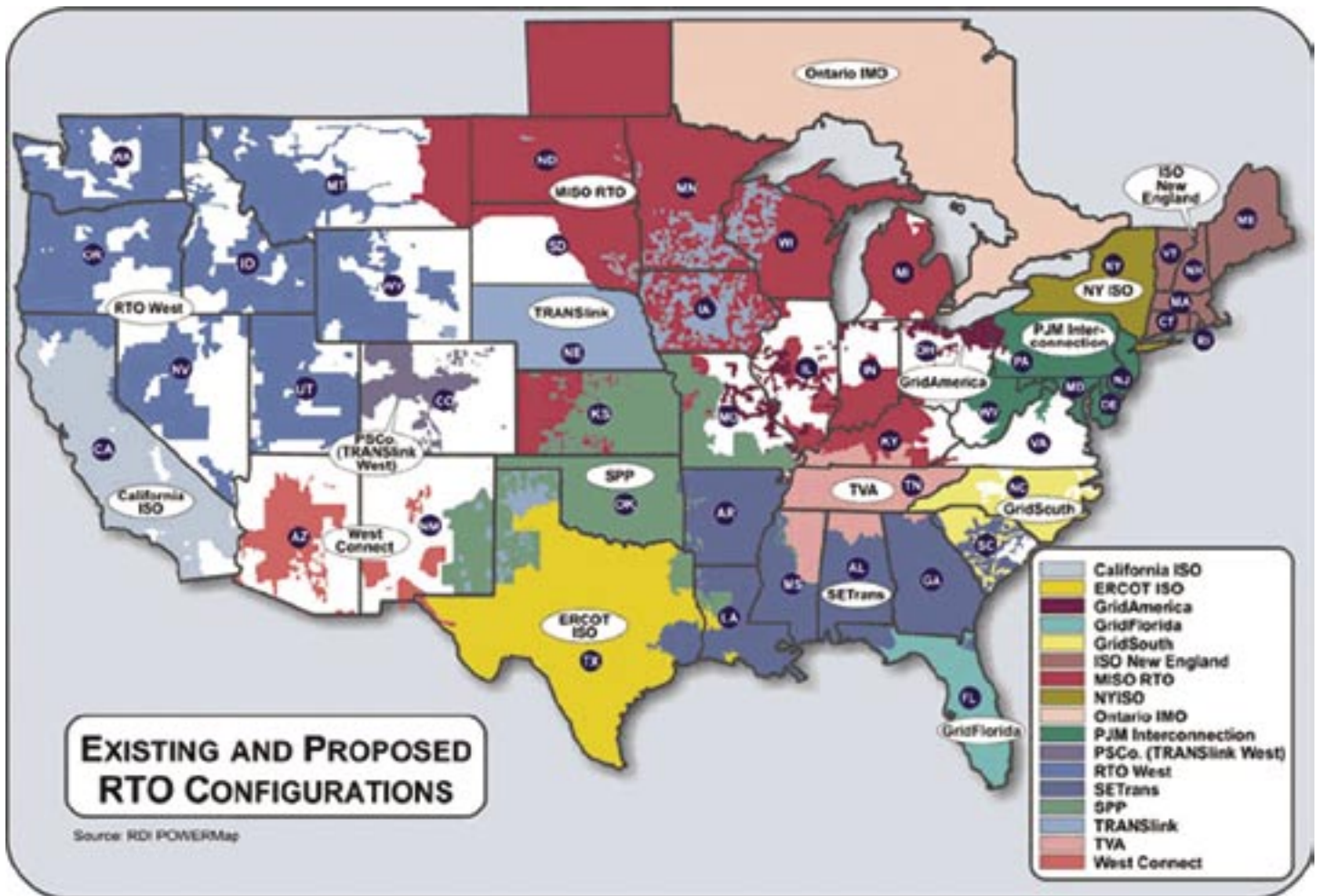
Following is a table outlining existing and proposed RTO presence in Southern states and a brief summary of the RTOs, including their membership, transmission capacity, generating output, service areas and actions relevant to their formation or lack thereof. In two regions – covered by Electric Reliability Council of Texas and the Tennessee Valley Authority – RTO membership is not applicable. Explanations are provided.

Existing and Proposed RTO Configurations in Southern States January 2004

State	Existing RTO Presence	Proposed RTO Presence	Non-RTO Transmission Organizations
Alabama		SeTrans	TVA
Arkansas		SeTrans; SPP	
Florida		GridFlorida; SeTrans	
Georgia		SeTrans;	TVA
Kentucky	MISO	PJM	TVA
Louisiana		PJM; SeTrans; SPP	
Maryland	PJM		
Mississippi		SeTrans; SPP	TVA
Missouri	MISO	SPP	
North Carolina		GridSouth	TVA
Oklahoma		SPP	
South Carolina		GridSouth; SeTrans	
Tennessee			TVA
Texas	West Connect	SeTrans; SPP	ERCOT
Virginia	PJM; MISO	PJM	TVA
West Virginia	PJM		

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ERCOT – The Electric Reliability Council of Texas (ERCOT) is an independent service operator (ISO) that manages the majority of the state's power grid, overseeing transactions associated with Texas' recently deregulated electric market. The Council was founded in 1970, and is a nonprofit corporation. It serves about 7 million customers, meets about 85 percent of Texas' electric demand, and covers about 75 percent of the state's geographical land area. ERCOT has a generating capacity of more than 78,000 megawatts, and has about 37,500 miles of transmission lines. As none of its lines cross state boundaries, however, ERCOT is not under FERC jurisdiction and, accordingly, has not petitioned for RTO status. In 2004, ERCOT consisted of 150 members, including 38 cooperatives, 19 municipals, nine investor owned utilities, 18 independent generators, 17 independent power marketers, 24 independent retail electric providers, 24 consumers, and one adjunct.¹

GridFlorida – In March 2000, Florida Power & Light Company, Florida Power Corporation, and Tampa Electric Company began development of a for-profit RTO. On

October 16, 2000, the three companies filed jointly with FERC for RTO status. GridFlorida was scheduled to be operational in January 2002; however, on May 17, 2001, the three companies issued a statement explaining that further RTO development was being halted pending negotiations with the Florida Public Service Commission (FPSC). In particular, the FPSC was concerned with having GridFlorida run as a for-profit organization and passing the RTO's estimated \$9 million start-up costs to consumers. The FPSC later ordered the companies to develop a proposal to establish an ISO in the state, though the three electric utilities would still own the transmission assets. On March 20, 2002, the joint applicants filed with the FPSC to revise the form and function of GridFlorida in order to address the Commission's concerns.²

GridSouth – In October 2000, Carolina Power and Light, Duke Energy and South Carolina Electric and Gas (SCANA) filed with FERC to establish GridSouth Transco, LLC as an RTO. Together, the three utilities operate more than 22,000 miles of transmission lines and generate approximately 34,500 megawatts of electricity for consumers in

North Carolina and South Carolina. The FERC approved the RTO in March of that year; however, in February 2002, the energy companies withdrew their applications to transfer functional control of their electric transmission assets to GridSouth. Officials from all three organizations stated that they were “eager to proceed, but need a greater degree of regulatory clarity.”³ In June of 2002, the energy companies suspended the GridSouth RTO implementation project.⁴

PJM – The Pennsylvania, Jersey, Maryland (PJM) Interconnection operates the oldest power pool in the country, the nation’s first fully functional RTO (being granted full RTO status on December 18, 2002), and the world’s largest competitive wholesale electricity market. Its utilities have a pooled generating capacity of more than 76,000 megawatts and serve 25 million customers in all or parts of Delaware, Maryland, New Jersey, Ohio, Pennsylvania, Virginia, West Virginia and the District of Columbia. A combined 20,000 miles of transmission lines is managed by PJM.⁵

MISO – The Midwest Independent System Operator (MISO) was founded on February 12, 1996, and filed for approval of its RTO status on January 16, 2001. With FERC accepting the proposal on December 19, 2001, MISO became the first approved RTO in the country. MISO, an independent non-profit organization, generates more than 100,000 megawatts of electricity, has more than 111,000 miles of high-voltage power transmission lines, and serves customers in 15 states, including parts of Kentucky, Missouri and Virginia. On December 31, 2003, MISO and PJM Interconnection filed a joint operating agreement with FERC to “provide an unprecedented improvement in operational and reliability” between the two RTOs.⁶

SeTrans – In 2001, Cleco, Entergy, The Southern Company, and various public power utilities began a process to voluntarily develop the SeTrans RTO that would cover all or parts of Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, South Carolina, and Texas. However, the proposal has never gotten off the ground as sponsors’ participation in SeTrans required approval from respective state public service commissions, who have expressed significant concerns over the effects the RTO would have on matters under their jurisdiction, primarily native load protection and cost impacts. Accordingly, the SeTrans

RTO plan has been indefinitely suspended because, as stated by the sponsors, “it is highly unlikely that consensus support and acceptance for the SeTrans RTO will be forthcoming from all applicable state and federal agencies.”⁷

SPP – On October 15, 2003, Southwest Power Pool, Inc. (SPP) filed with FERC for formal recognition as an RTO. In total, SPP has 48 members, including 14 investor-owned, eight cooperative and six municipality utilities.⁸ The proposed RTO would serve 4 million customers in all or parts of eight states (Arkansas, Kansas, Louisiana, Mississippi, Missouri, New Mexico, Oklahoma and Texas) through over 33,000 miles of transmission lines and a gross plant investment of over \$4 billion. Although SSP had been discussing a merger with MISO since August 2001, both organizations mutually agreed to terminate the consolidation in March of 2003.⁹

Tennessee Valley Authority – The Tennessee Valley Authority (TVA), covering the entire state of Tennessee along with portions of Alabama, Georgia, Kentucky, Mississippi, North Carolina and Virginia, is a publicly-owned utility. As such, TVA is not required to join an RTO. The TVA has, however, entered into a joint regional coordination agreement with two large investor-owned utilities in the Southeast and the MISO to develop a seamless market for transmission in the two regions. Similar discussions are ongoing with other potential RTOs, including GridSouth, regarding the development of coordination agreements for the areas they serve. TVA also is working on a plan for a Public Power RTO. The TVA’s 675 primary power plants have a generating capacity of 31,517 megawatts and serve 8.3 million residents through 17,000 miles of transmission lines.¹⁰

WestConnect – On October 9, 2002, FERC preliminarily approved WestConnect’s RTO proposal. The RTO, adopting a for-profit limited liability governance structure, comprises the following filing utilities: Arizona Public Service Company, El Paso Electric Company, Public Service Company of New Mexico, Salt River Project, Texas-New Mexico Power Company and the Tucson Electric Power Company. Together, these companies generate over 17,000 megawatts of electricity and serve more than 3 million customers in Arizona, Colorado, New Mexico, Wyoming and Texas through 23,000 miles of transmission lines.¹¹

Endnotes

- ¹ All information was obtained from the ERCOT Internet site: <http://www.ercot.com/>, accessed January 22, 2004.
- ² “GridFlorida, Still Hanging On,” *Transmission Insight*, Energy Info Source, Inc., from the Internet site: http://www.energyinfosource.com/commentary/article.cfm?article_ID=865, accessed January 21, 2004.
- ³ “Withdrawal of GridSouth Filing,” February 19, 2002, *News Release* from the GridSouth Internet site: <http://www.gridsouth.com/NewsRelease021902.pdf>, accessed January 21, 2004.
- ⁴ “GridSouth Sponsors Suspend Implementation Project and Postpone Regulator Filings,” June 18, 2002, *News Release* from the GridSouth Internet site: <http://www.gridsouth.com/NewsRelease061802.pdf>, accessed January 22, 2004.
- ⁵ All information was obtained from the PJM Internet site: <http://www.pjm.com/index.jsp>, accessed January 22, 2004.
- ⁶ “MISO and PJM Execute and File Joint Operating Agreement with the FERC,” *PJM News*, December 31, 2003, from the MISO Internet site: http://www.midwestiso.org/news/files/20031231144954MISO_PJM_Press_Release.pdf, accessed January 22, 2004.
- ⁷ “Statement of the SeTrans Sponsors,” December 2, 2003, from the SE TransGrid Internet site: www.setransgrid.com, accessed January 21, 2004.
- ⁸ “Southwest Power Pool Seeks Recognition as Regional Transmission Organization,” *SSP Press Release*, October 15, 2003, from the SSP Internet site: http://www.spp.org/Publications/Release_RTO_filing_10-15-03.pdf, accessed January 20, 2004.
- ⁹ “SPP and MISO Agree to End Merger Plans,” *SSP Press Release*, March 20, 2003, from the SSP Internet site: http://www.spp.org/Publications/Release_SPP_MISO_Terminate_Merge.pdf, accessed January 21, 2004.
- ¹⁰ Stats are from the TVA Internet site: <http://www.tva.gov/power/index.htm>, accessed January 21, 2004.
- ¹¹ Charles Reinhold, “West Connect RTO Status Report,” presentation to the Committee on Regional Electric Power Cooperation, April 24, 2003, Salt Lake City, Utah. From the Internet site: http://www.westgov.org/wieb/meetings/crepcsprg2003/briefing/pres/c_reinhold1.pdf, accessed January 22, 2004.

This **Regional Resource** was prepared for the Energy & Environment Committee of the Southern Legislative Conference (SLC) by Todd Edwards, SLC Regional Representative.

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