

February 10, 2014

The Honorable Cheryl A. LaFleur, Acting Chairman
The Honorable Philip D. Moeller, Commissioner
The Honorable John R. Norris, Commissioner
The Honorable Tony Clark, Commissioner

Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: *Centralized Capacity Markets in Regional Transmission Organizations and Independent System Operators*, Docket No. AD13-7-000

Dear Acting Chairman and Commissioners:

The undersigned entities comprise a broad and diverse *ad hoc* group of publicly and cooperatively owned electric utilities, national consumer and low-income organizations, state public utility commissions, state consumer advocates, investor-owned utilities, industrial customers, and independent power producers. While we represent a range of diverse and often diverging interests, we are writing to emphasize our consensus on certain of the core points made in many of the comments filed in the above-noted docket on January 8, 2014:

- Capacity Is Not Fungible. Not all MWs of capacity are created equal. Load serving entities (LSEs), states, and local regulatory bodies may have excellent policy reasons for preferring to assemble a diverse portfolio of generation and demand-side resources to serve retail electric needs.
- Many Policy Considerations Affect Resource Portfolio Choices. The policy concerns that might lead LSEs, state and local regulatory bodies to favor local generation over distant generation, newer, more efficient resources over older, less efficient ones, lower-emitting resources over higher-emitting resources, *etc.*, are completely legitimate. Federal policy makers should respect and honor them. Market rules that Regional Transmission Organizations (RTOs) impose to protect prices under administrative capacity procurement constructs should not erect barriers to meeting such policy goals.
- Long-term Contracts Support New Resources and Should Be Encouraged. Capacity surpluses can no longer be taken for granted; new resources will have to be developed to comply with new environmental regulations. At such a time, long-term contracting and self-supply generation should be encouraged and supported, rather than being considered an “out-of-market” subsidy. RTO market rules that effectively penalize long-term contracting and self-supply should be reformed.

- The Commission Must Consider Rate Impacts on Retail Electric Consumers. Market participants wishing to protect their economic interests dominate Commission adjudicative dockets and RTO stakeholder processes. In these fora, the interests of retail consumers and those charged with protecting them are often lost. It is up to the Commission to ensure that capacity procurement constructs and the associated market rules work for the retail electric consumers that ultimately pay the bills, and not just for those market participants with the most resources to devote to the administrative process.

The undersigned entities respectfully request the Commission to take further actions in relevant adjudicative and rulemaking dockets to ensure that these principles are honored in RTO capacity procurement mechanisms. We stand ready to work with the Commission to help make this happen.

Respectfully submitted,

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