

February 21, 2003

The Honorable Pete Domenici
Chairman
Energy & Natural Resources Committee
United States Senate
Washington, DC 20510

The Honorable Billy Tauzin
Chairman
Energy & Commerce Committee
United States House of Representatives
Washington, DC 20515

The Honorable Jeff Bingaman
Ranking Member
Energy and Natural Resources
Committee
United States Senate
Washington, DC 20510

The Honorable John Dingell
Ranking Member
Energy & Commerce Committee
United States House of Representatives
Washington, DC 20515

Re: FERC Standard Market Design

Dear Sirs:

The Manufacturers Energy Group (MEG) urges you to support the Federal Energy Regulatory Commission's (FERC) efforts to bring open access to wholesale electric markets through its Standard Market Design (SMD) rulemaking process. By opening up markets, standardizing market rules, and thereby fostering greater opportunities for sellers and buyers to reach each other, FERC's SMD proposal should result in greater choices for customers and, ultimately, lower costs to electricity consumers. These are laudable goals, and every effort should be made to pursue them.

MEG is a coalition of associations representing large industrial end users of energy. Our constituent industries operate in every state and, in aggregate, employ over two million people. Our industries' mills, process plants and factories are the largest employer in many communities. These manufacturing facilities depend on reliable and affordable electricity in order to provide reasonably priced goods to American consumers and to remain competitive in international markets.

In its SMD proposal, FERC carefully documented the discrimination remaining in the electric utility industry, the impediments to the development of competitive markets, and the need for new infrastructure. Utilities continue to maintain the barriers they have erected – both in the services they offer and in the facilities they own and operate – to maintain their monopoly status and generation market share. A uniform transmission tariff as proposed by FERC will encourage new power generation and better service by creating more equitable access to wholesale electricity markets.

The “seamless” wholesale markets that will result from SMD will bring greater efficiencies in transactions by bringing suppliers and customers together at reduced costs.

Such a modernization of the rules that govern wholesale electric markets is also critical to encouraging greater investment in much needed transmission system expansion. Even the study sponsored by the Southeastern Association of Regulatory Utility Commissioners (SEARUC), which generally was critical of the costs of implementing SMD, still found some measurable potential benefits from SMD.

As the demand for electricity continues to grow in many regions of the country, customers will require access to more supplies. SMD is critical to ensuring that customers have the ability to reach adequate supplies of their own choosing. It will also reward efficient, low cost producers who will more easily be able to get their power to market.

We therefore urge you to support FERC's efforts to develop and implement SMD. The present version is a work in progress, and it can be improved to the benefit of all parties. Rather than seeking to thwart FERC's open-access initiatives, Congress should work to support them so that our nation's wholesale electricity markets and transmission systems can begin to modernize to meet the need of the U.S. economy.

Please feel free to contact Donna Harman, Vice President, Congressional Affairs, American Forest & Paper Association at (202) 463-2476 with any questions.

Sincerely,

American Chemistry Council
American Forest & Paper Association
American Iron and Steel Institute
Council of Industrial Boiler Owners
Electricity Consumers Resource Council (ELCON)
Gypsum Association
Industrial Energy Consumers of America
Portland Cement Association