

Resolution Regarding Equal Consideration Of Demand and Supply Responses in Electric Markets

WHEREAS, The Federal Energy Regulatory Commission is actively considering which entities should be responsible for the efficient construction and reinforcement of the transmission system in a competitive wholesale market; and

WHEREAS, The Federal Energy Regulatory Commission is also reviewing pricing policies that will lead to the efficient siting of new generation resources in competitive wholesale markets; and

WHEREAS, Several states have passed legislation and implemented rules to permit customer choice among energy providers; and

WHEREAS, Competitive energy providers may wish to offer their customers products which react to prices available in the wholesale markets; and

WHEREAS, Customer options may include demand reductions and load shifting in response to those price signals; and

WHEREAS, When supplies are constrained, markets will be most competitive where customers are able to react to prices; and

WHEREAS, Reaction to such price signals can offer greater public benefits by mitigating market power, furthering innovation, easing transmission and distribution constraints, increasing diversity, encouraging reductions in unnecessarily costly energy usage, and improving reliability; *now therefore be*

it

RESOLVED, That the Board of Directors of the National Association of Regulatory Utility Commissioners ("NARUC"), convened in its 2000 Summer Meeting in Los Angeles, California, finds that, in remedying situations of inadequate supply or constrained transmission, demand responses to market prices should be equally and fairly compared to alternatives which require the construction of new transmission or generation; *and be it further*

RESOLVED, That NARUC urges the FERC to include mechanisms which permit market-driven consumer responses to shortages in its decisions regarding the need for generation and transmission improvements, and to facilitate such responses by encouraging the development of wholesale markets which convey appropriate price signals to end-use customers.

Sponsored by the Committee on Energy Resources and the Environment

Adopted by the NARUC Board of Directors, July 26, 2000.