
National Capital Area Chapter

United States Association for
Energy Economics

October 2002

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news

Standard Market Design for the Electric Industry: "The Devil in the Details"

Our Next Luncheon at Library of Congress

WHEN: Noon, Friday, October 18

WHERE: 6th Floor, Madison Building—Montpelier Dining Room
Library of Congress (enter from Independence Avenue)
1st Street & Independence Avenue, SE
Washington, DC

SPEAKERS: Thomas L. Rudebusch, Partner, Duncan, Weinberg, Genzer & Pembroke, PC
Sarah McKinley, Manager of State Outreach, Federal Energy Regulatory Commission

The Federal Energy Regulatory Commission has issued a proposed rule outlining "Standard Market Design" for the wholesale electric industry. The proposed rulemaking has created controversy in the Southeast and Northwest, where some participants argue that its tenets will create more problems than it will solve. The Northeast and Midwest are determining how to accommodate SMD in light of their existing (and proposed) regional grid networks. As with many energy policies, the "devil is in the details." Our speakers will explore the complexities of creating a seamless market for electricity, and the ramifications that FERC's order will have on its many diverse participants.

Thomas L. Rudebusch is a partner in the Washington, DC law firm of Duncan, Weinberg, Genzer & Pembroke. He has participated in restructuring activities in New York since they began in 1994. He is a member of the Management Committee of the New York Independent System Operator representing municipal electric utilities. Mr. Rudebusch will present the issues and concerns of market participants in the Northeast as they attempt to accommodate the existing ISOs to the requirements of FERC's proposed Standard Market Design.

Sarah McKinley is Manager of State Outreach for the Federal Energy Regulatory Commission. She has been instrumental in organizing and analyzing extensive outreach to the industry on SMD since its release on July 31 of this year. She will discuss the rulemaking from FERC's perspective.

Join us on Friday, October 18th at 12:00 pm for networking, with the lunch-line forming promptly at 12:30 and the presentation beginning at 1 pm so we are done by 2 pm.

COST: \$15.00 for members and \$20.00 for non-members—guests are always welcome. Make checks payable to NCAC-USAEE. **RSVP:** By COB Wednesday, October 16 to Ron Planting by phone (202/682-8509) or email (planting@api.org). Cancellations after noon Thursday will be billed.

September Meeting Highlights

SPEAKER: Lorna A. Greening ***Robust R&D Strategies for Natural Gas***

Greening began with an overview of the characteristics of MARKAL models, which are intended for identifying least-cost solutions for energy system planning, evaluating options within the context of the entire energy/materials system, and selecting technologies based on life-cycle costs of competing alternatives. MARKAL was developed at Brookhaven National Labs and is being used in some 50 countries around the world, Greening said, including at the U.S. Department of Energy. The model provides estimates of energy/material prices, demand activity, technology and fuel mixes, emissions levels, and mitigation and control costs. The model includes representations of resources, processes, generation, and energy services through end-use devices. Greening noted that the model has limitations because of the embedded assumptions of linear programming including the assumption of perfect competition and that all economic actors are operating at the minimum of their total cost curve.

She has expanded the model, through the use of publicly verifiable sources, to more than 2,400 industrial technologies, and over 300 commercial, 300 residential, and 150 transportation technologies. It has been benchmarked to the EIA's Annual Energy Outlook 2002, coming in at about 7 percent less total energy consumption than estimated in the AEO. She attributed this to missing end-use demand categories and differences in penetration rates of new technologies. The model's emissions of carbon dioxide were approximately 10 percent below levels forecast by the AEO, partly due to lower consumption in the model and partly to the more aggregate nature of emissions coefficients in MARKAL. Other emissions levels varied by 20 to 40 percent from the AEO estimates, suggesting that further work may possibly serve to improve those results. Preliminary conclusions include: advances in drilling technologies, in providing lower supply costs, are robust in all potential scenarios. Efficiency advances in energy-use technologies and electric generation technologies are less consistent.

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- **Immediate Past President**

NCAC Monthly Lunches—Set your Calendar for the Year!

To help you plan for the coming year, the following dates have been reserved for the NCAC monthly lunch:

November 15—Shirley Neff/Senate Energy & Natural Resources Committee: Energy Bill

December tbd—Herman Franssen: Iraq Developments on Oil Markets

Please Renew for 2002 now! Deadline for Inclusion in Directory!

If you have not already renewed your membership in NCAC, please fill out the form below and either mail it or bring it to the next luncheon. We will need members to renew immediately if they are to be included in the 2002 Directory of NCAC members.

National Capital Area Chapter United States Association for Energy Economics

2002 MEMBERSHIP RENEWAL/REGISTRATION FORM

_____ Please check here for membership renewal.

_____ Please check here for new membership registration.

- Membership registration/renewal for the NCAC/USAE are expected by the end of the preceding calendar year.
- Please return your registration form and check to Pamela Tomski-NCAC/USAE 2002 Treasurer at Energy, Environment and Security Ltd., 1130 17th Street, Suite 312, Washington, DC 20036 or e-mail the information below to ptomski@erols.com.
- Dues for 2002 are \$20.00. Please make checks payable to NCAC/USAE.

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