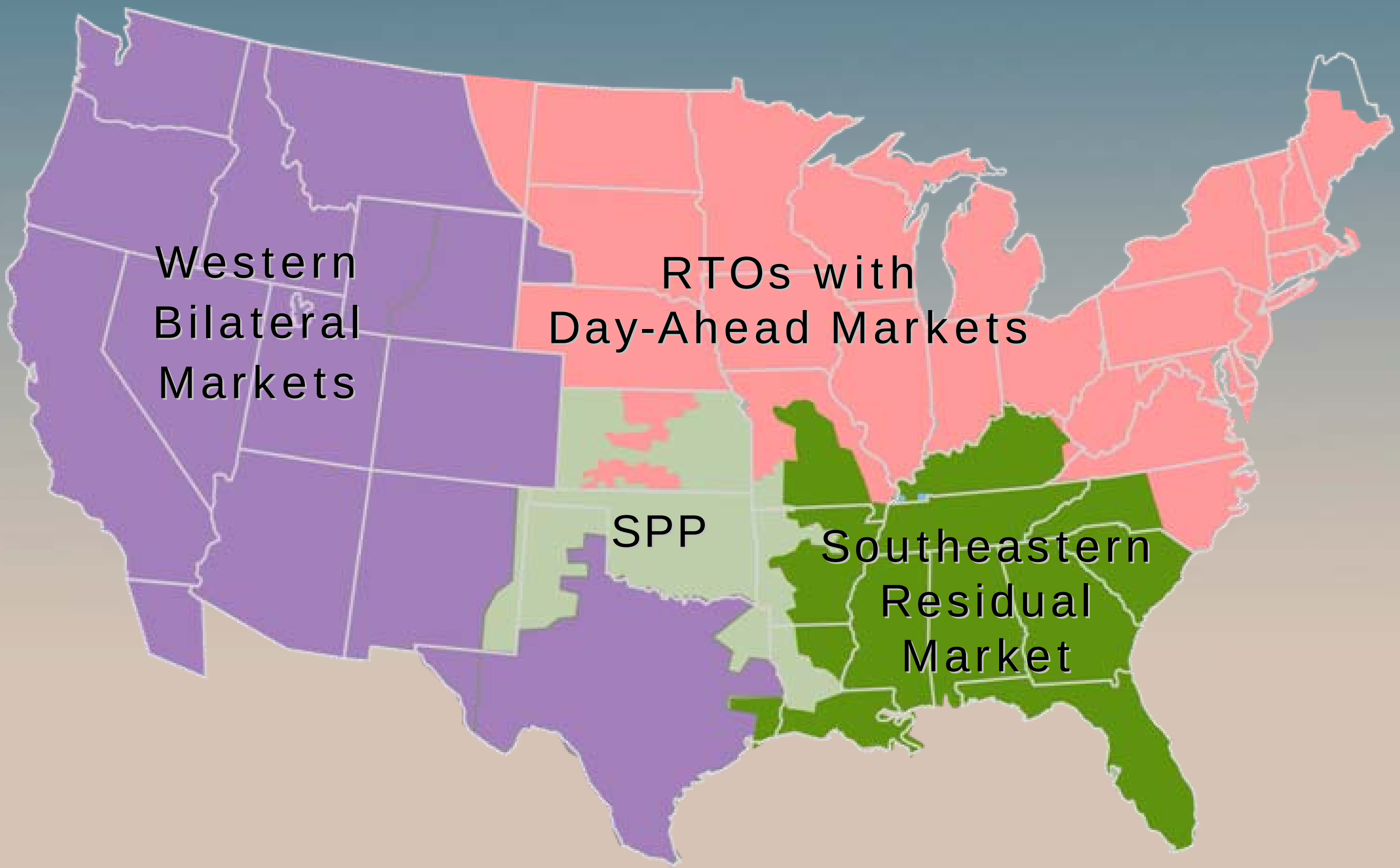
Department of Energy Electricity Advisory Committee May 20, 2008
Arlington, Virginia

Electric Wholesale Market Regimes in the United States:

Implications for Investment

Charles S. Whitmore
Senior Market Advisor
Federal Energy Regulatory Commission
Office of Enforcement

The Three Electric Wholesale Market Regimes in the United States



Three Electric Markets

Spot Electric Power Trading on ICE by Region, 2007, '000 GW Hours

Region	Physical Trading	Financial Trading	Load in 2006
Northeast	0.5	91.1	1,026.4
Midwest	1.4	40.6	520.0
West	66.9	<0.1	709.8
Southeast	1.4	0.0	802.3
ERCOT	21.3	1.8	305.7

Source: ICE and Form 714. (Note that ICE has no contracts within SPP.)

What Does This Mean for Short and Mid-term Investment?

Primary Value Streams for New Projects		
	Commodity Value	**Capacity Value**
RTOs with Day-Ahead Markets	**Projected RTO Day-Ahead Price Stream (Tied to Real-Time Prices)**	**Anticipated Capacity Market Revenues (where applicable)**
Western Bilateral Market	**Projected Bilateral Day-Ahead Price Stream**	**Regulatory Guarantee?**
Southeastern Residual Market	**Long-term Competitive Procurement Price (sort of, where applicable)**	**Regulatory Guarantee (e.g., Cost of Service)**

What Does This Mean for Long-term Investment?

Key Difference = Greater Systemic Risk in Building Baseload Coal and Nuclear

Coal – Carbon

Nuclear – Safety, Decommissioning, Waste

All – Lead Times

How Will Different Market Regimes Handle the Risk-Sharing Issues?