The FCM Fairy Tale

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In the Holiday spirit, I thought I’d introduce this panel w/a short fairy tale

Once upon a time, many many moons ago, the utilities in New England were vertically integrated and owned the power plants used to serve their customers with the precious electricity.

Then one day, some of their customers got restless and hoping for lower electricity prices asked the regulator gods to let them buy electricity from others besides their local utilities.

And so it came to pass that customers were free to choose, and utilities in all the New England states (except the small northern hamlet of Vermont) divested of their generation and became wires only companies.

Utilities and the new competitive suppliers now had to buy electricity from independent power producers either thru bi-lateral contracts or new-fangled energy markets.

After a decade or so, just as everyone was finally getting the hang of things, the generators and some ISOs across the land asked the regulatory gods for new and improved markets to peddle their wares. They called them capacity markets.

And once again it came to pass that a capacity market was layered atop our energy markets in New England and as in any good fairy tale new acronyms were created--LICAP and then FCM. But the regulatory gods told the generators and everyone else that they needed to let their new-borne brothers and sisters, the demand response and other demand-side resource providers play in the new sandbox as well.

And all appeared well and good, and nearly 4 whole FCM auctions came to pass before everyone returned to the regulatory gods in Washington D.C. asking for further refinements to the FCM markets. And so we sit here today waiting patiently for FERC to restore order in the land once again.

In the meantime, representatives from 5 different sectors have come together today to share their pain, pontificate about what FERC should do, and give us a preview of the next wave of capacity market related issues. Listen carefully…for you may learn.