

Part I

Status of Competition in the Commonwealth

Executive Summary

Several activities are in progress to prepare the Commonwealth for the advent of the transition to full retail choice for electricity on January 1, 2002. Perhaps the most significant activity has been the implementation of pilot programs for retail access. Dominion Virginia Power (“DVP”) and AEP-Virginia began pilot programs in the fall of 2000 and Rappahannock Electric Cooperative began its pilot in January 2001.

Unfortunately the pilot programs did not attract the anticipated level of interest from either customers or suppliers. Only DVP had customers actually switch to a competitive supplier. At this time there are no competitive offers available in any of the pilot programs.

On a positive note, however, we have learned a lot from the pilot program process. For instance, we now have rules in place, computer systems have been tested, and competitive providers have been licensed.

The Commission has issued an order scheduling the phase-in plans of each electric utility. Choice will be available to approximately one million customers on January 1, 2002, and three million customers by January 1,

2003. All Virginians will be allowed to choose a competitive electric supplier by January 1, 2004, as directed by the Restructuring Act.

There are several cases before the Commission now involving the unbundling of rates, functional separation, metering and billing, and regional transmission entities. Most of these cases must be completed by the end of the year to open the way for competitive choice.

A great deal of work and much attention to detail have been required to prepare the foundation for the development of an effective competitive electricity market. The Commission appreciates the cooperation we have received from utilities, competitive suppliers and other interested parties in achieving the progress that has been made thus far.