

## **Part III**

### **Recommendations to Facilitate Effective Competition in the Commonwealth**

#### **Executive Summary**

Before a competitive market can develop, it is necessary for a proper foundation to be laid. The strength of that foundation depends upon the clarity of rules, the synchrony of computer systems, the education of consumers, and a multitude of other details. Many of these details will be discussed in the first section of this report, the Status of Competition in the Commonwealth. They include the development of transition plans, unbundling of rates, establishment of regional transmission entities, and licensing of suppliers.

These are the types of tasks that the Commission considers its most important contributions to the facilitation of effective competition. Our goal is to provide an easy entry for competitors into our electric market while simultaneously protecting consumers.

There are, however, many factors outside of the Commission's control that will have a bearing upon the degree of competition that develops and when it develops. Some of those factors are contained in the Restructuring Act. For instance, we received suggestions that price caps or wires charges should be eliminated because they will hinder the development of competition. Those mechanisms were placed in the Act to protect both consumers and utilities.

This Commission cannot control the level and volatility of wholesale electric prices. We are, however, very concerned about the exercise of market power in the wholesale market, as examined by Dr. Rose at length in

Part II of this report reviewing the recent performances of wholesale and retail electricity markets. Moreover, we are also concerned that wholesale prices will become more volatile as the Commonwealth becomes increasingly dependent upon natural gas-fired generation. During the rate cap period, high wholesale prices may make it impossible for competitors to offer savings to consumers, thereby constituting a barrier to competitor entry. After the rate cap period, the level of wholesale prices will have a direct impact upon prices paid by consumers.

In summary, the Commission is committed to make the Commonwealth an attractive market for competitive suppliers. To the extent that electric competition develops throughout the nation, we intend for Virginia to be recognized as a fair, efficient and effective market.