D.P.U. 95-30

Investigation by the Department of Public Utilities on its own motion into electric industry restructuring.

NOTICE OF INQUIRY AND ORDER SEEKING COMMENTS ON ELECTRIC INDUSTRY RESTRUCTURING

I. INTRODUCTION

For most of its history, the electric utility industry has been organized into vertically-integrated businesses serving as exclusive providers to a well-defined and protected service territory. It has long been presumed that such a framework would best ensure that society's goals for the industry were met. In short, for most of its life, the industry has been presumed to be a natural monopoly. That presumption is now no longer universally accepted, and the electric industry currently is receiving a level of attention and critical review that is unprecedented. While certain functions associated with the industry may continue to be best organized as a monopoly, that is likely no longer the case for electric generation, and possibly other functions as well. Accordingly, the Department opens this inquiry to investigate and determine (1) how a restructuring of the electric industry in Massachusetts would promote competition and economic efficiency and expand opportunities that would benefit consumers, (2) whether and how to extend to some or all customers the option of choosing their own electricity supplier, (3) how such a

restructuring could be implemented, and (4) the appropriate regulatory mechanisms to apply to a restructured electric industry.

The terms on which electricity is made available are critical to the ability of industries in Massachusetts to compete nationally and internationally, thereby providing good jobs and contributing to a sound economy. They are also of direct concern to every Massachusetts household, as direct consumers of electricity. For businesses and residential consumers, electricity may be the most important major item in their budgets that they must purchase from a monopoly provider. The Department notes that Massachusetts electricity consumers now pay some of the highest electricity rates in the United States. While high electric rates are only one of several factors that affect the ability of Massachusetts to compete for investment that would promote employment in the state, the Department has a clear opportunity to effect changes for the better in this area. Maintaining industrial competitiveness appears to be a prime motivating factor behind the decisions in other jurisdictions to investigate the transition to a more competitive environment in the electric industry.[1] The impact of high electricity rates on residential and smaller commercial customers is also of great concern to the Department.

Given high electricity costs combined with emerging competition in Massachusetts and New England, the Department is also prepared to take steps to allow a greater reliance on

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[1] See, e.g., Notice Inviting Comments on Proposed Principles to Guide the Transition to Competition, N.Y.P.S.C. Case 94-E-0952, at 8-9 (Issued December 22, 1994): "The economic and environmental well-being of New York State is of paramount concern here. That is the primary principle, the one that cannot be compromised to accomodate the others. ...[T]he New York economy [must] not continue to be at a long-term competitive disadvantage due to high electricity prices." This surely applies in Massachusetts as well.

competition and customer choice for retail customers in order to increase efficiency and reduce overall costs, while still providing safe, reliable, and least-cost service. In this proceeding, the Department seeks broad comment on the economic, technological, and institutional forces causing change in the electric utility industry. The Department seeks information about how these forces affect the traditional obligations of the electric utility industry, the ability of the industry to respond to these forces, and the economic welfare of Massachusetts consumers. The Department also seeks comments on whether these forces may point to a restructuring of the current vertically-integrated and territorially-based monopoly in the electric utility industry in Massachusetts. The Department seeks comments on ways to stimulate competition, such as to extend to some or all electric customers the right to choose their electricity supplier, which suggests retail wheeling.[2] Further, the Department seeks to reexamine the present obligation of electric utilities to serve all customers. The benefits that have flowed from the introduction of competition in other formerly regulated industries suggests that competition can enhance both the reliability and affordability of electric power in the electric industry as well.

In recent proceedings, the Department has reexamined all aspects of its policies and procedures, including traditional cost-of-service, rate-of-return ("COS/ROR") regulation itself. It is exploring ways the public interest could be more efficiently served by modifying or eliminating regulation affecting utility services in Massachusetts. See, e.g., Notice of Inquiry and Order Seeking Comments on Incentive Regulation, D.P.U. 94-158 (1994); Mergers and Acquisitions,

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[2] The term retail wheeling is sometimes applied to this area; however, the Department intends to focus on all aspects of customer choice in this proceeding, not simply on contracting for electricity between two points.

D.P.U. 93-167-A (1994); IRM Streamlining, D.P.U. 94-162 (pending). The Department is now examining incentive regulation as a means of allowing regulated utilities to participate more effectively in an increasingly competitive marketplace. At the same time, the Department seeks to achieve its longstanding goals of safe, reliable, and least-cost electric service. See D.P.U. 94-158.

II. BACKGROUND

Since its establishment by the Massachusetts Legislature in 1919,[3] the Department has pursued its goal of ensuring that regulated public utility companies provide safe, reliable, and least-cost service to Massachusetts consumers.[4] By statute, the Department is vested with broad authority to set all retail rates charged by electric companies (see G.L. c. 164, § 94) and to review and approve contracts over one year in duration for the purchase of electricity (see G.L. c. 164, § 94A), issuances of securities (see G.L. c. 164, § 14), and acquisitions and mergers of utilities (see G.L. c. 164, § 96). The comprehensive statutory framework under which the Department regulates the electric industry in Massachusetts was designed to respond to the early development of the public utility industry, certain of whose functions exhibited the characteristics of a natural

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[3] Before 1919, the nascent electric and gas utility industries were regulated by the Department's predecessor agencies, the Board of Gas and Electric Light Commissioners and the earlier Board of Gas Commissioners.

[4] The Department regulates eight investor-owned electric utility companies: Boston Edison Company; Cambridge Electric Light Company; Commonwealth Electric Company; Eastern Edison Company; Fitchburg Gas and Electric Light Company; Massachusetts Electric Company; Nantucket Electric Company; and Western Massachusetts Electric Company. These companies, either directly or through affiliates, own electric generation facilities, high-voltage transmission networks, and low-voltage distribution networks that are used to serve customers in their service territories. Because they control the entire process from the generation of electricity to its final distribution to consumers, they are known as vertically-integrated utilities.

monopoly and provided a service essential for economic prosperity.[5] In addition to comprehensive state regulation, the federal Public Utility Holding Company Act of 1935 ("PUHCA") strongly encouraged electric utilities to operate on a vertically-integrated basis within contiguous states and discouraged non-utility businesses from generating electricity for sale to distribution companies.[6]

Today in Massachusetts the electric industry is a complex mosaic of exclusive service territories supported by electricity generation, transmission, and distribution assets under the individual ownership of eight discrete investor-owned utilities ("IOUs") and 40 municipal utilities. Municipal utilities, generally, are operated by electric departments of municipal governments and presided over by appointed or elected boards. Three of the eight IOUs are wholly-owned subsidiaries of multistate public utility holding companies,[7] whose activities are regulated by the Federal Energy Regulatory Commission ("FERC") and by the Securities and Exchange Commission ("SEC"), in addition to the Department. Two holding companies operate substantial intrastate electricity transmission lines on both the north-south and east-west axes.[8] Ownership of

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5 See, e.g., Report of the Special Commission on Control and Conduct of Public Utilities, Authorized by Resolves of 1929, Chapter 55 (House No. 1200), at 48-49 (1930). The Department notes that not all functions performed by vertically-integrated electric utilities exhibit the characteristics of natural monopoly.

6 See "The Challenge for Federal and State Regulators: Transition from Regulation to Efficient Competition in Electric Power," Baumol et al., at 10 (1994).

7 The three are Eastern Edison Company, an affiliate of Eastern Utilities Associates, Massachusetts Electric Company, an affiliate of New England Electric System, and Western Massachusetts Electric Company, an affiliate of Northeast Utilities.

8 The two are New England Electric System and Northeast Utilities.

central electric generating units is generally divided among IOUs. Dispatch of electric generating units on an economic basis is administered by the New England Power Pool ("NEPOOL"). In recent years, qualifying cogeneration and small power production facilities ("QFs") and other non-utility generating units ("NUGs") have been developed independently of traditional utilities to sell power in the wholesale market. In addition, some retail customers have installed on-site electric generation units and, in some cases, have agreed to sell excess power to their local utility. While most of these changes have affected primarily the wholesale market, the possibility of participating in the power market without relying on the traditional utility as intermediary has attracted the notice of some retail customers.

In seeking to achieve its goals in the context of an electric industry dominated by companies faced with little or no competition, the Department traditionally relied on COS/ROR to determine utility rates. In a companion proceeding, D.P.U. 94-158, the Department is re-examining the principles underlying traditional COS/ROR regulation to determine whether alternative forms of regulation that cut the direct link between costs and prices and rely instead upon market incentives may be better suited to the increased levels of competition in this industry. The Department has inquired in that proceeding whether it is possible to design a regulatory system that continues to address traditional concerns of just and reasonable rates, while relying more heavily on market incentives than on traditional regulatory controls.

Title II of the Public Utility Regulatory Policies Act of 1978 ("PURPA") began the process of creating an independent generation sector and a competitive wholesale market for electric power by requiring all utilities engaged in the distribution of electricity to offer to

purchase electricity produced by QFs. The QFs were not authorized to make electricity sales directly to consumers.[9] The Energy Policy Act of 1992 ("EPACT") relaxed certain PUHCA restrictions and encouraged independent generating facilities by ensuring transmission access to such facilities. EPACT established a new category of supplier for the wholesale generation market: exempt wholesale generators ("EWGs"). EWGs are exempt from regulation under PUHCA, but still are not authorized to sell directly at retail. Since passage of EPACT, FERC has adopted an "open access" policy for qualified entities that seek to transmit wholesale electric power over transmission lines owned by others. This change, comparable to FERC's policy toward interstate gas pipeline services, should foster more efficient use of the transmission network to exchange electricity between producers and consumers. The Department concludes that the EPACT changes and FERC initiatives set the stage for even more fully developed competition between electric generating facilities in the near future.

The combination of federal initiatives, increased wholesale electric competition, and advances in combined-cycle gas-turbine technology have exposed the gap between the market price of electricity on the wholesale market and higher retail rates.[10] This has stimulated certain industrial customers to seriously consider bypassing their local utility, and, in turn, has encouraged utilities to offer large industrial customers substantial rate reductions in exchange for a commitment to remain a utility customer. In the face of all these changes, a number of other

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9 See Baumol et al. at 11.

10 There are indications that this gap may be long term in nature, and not simply dependent on the current excess electric generating capacity that exists in Massachusetts and New England generally.

jurisdictions have decided to investigate the potential for a transition to a more competitive environment in the electric industry, including California, Illinois, Maine, Maryland, New Jersey, New York, Ohio, and Wisconsin. The proximity of some of these jurisdictions to Massachusetts and the importance of interpool relations for economic electric power exchanges (e.g., between the New York Power Pool and NEPOOL) suggests that any changes in other jurisdictions may make changes in Massachusetts desirable.

Other countries as diverse as Argentina, Chile, Norway, and the United Kingdom already have moved dramatically to restructure their electric industries and today have moved toward electricity markets more open than any in the United States. In Argentina, electric generating plant availability has increased from 47 percent to 70 percent, productivity per employee has increased substantially, private investment is increasing, and prices are stable.[11] In England and Wales, where privatizaton and competition were introduced in 1990, productivity has increased, costs have been reduced, and electric generating capacity is being used more efficiently. In Norway, wholesale electricity prices now average 20 percent lower than before restructuring was undertaken in the 1980s.[12]

The electric industry in the United States is certainly not yet as competitive as many other sectors of the economy, primarily because of government regulation, but perhaps also because certain of its functions (e.g., transmission and distribution) still exhibit monopoly characteristics. Nevertheless, specific sectors, such as the wholesale electricity market, are significantly more

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[11] See "Global Evolution of Competitive Power Markets," Alex Henney, Public Utilities Fortnightly at 39 (January 15, 1995).

[12] See Henney at 39.

competitive than they were just a few years ago. Other changes, such as further increases in competition between electric generating units and increased customer choice in the electric industry, now seem possible. Many of these latter changes are made possible by the rapid development and application of advanced information technology, an industry that itself has benefited from competitive restructuring. As a result of these changes, it is clear to the Department that the electric industry is now capable of becoming even more competitive. Technological advances and regulatory initiatives, together, have established the groundwork that would allow a substantial expansion of competition in the near future. Furthermore, many customers are aggressively seeking more choices and demanding lower prices that can only be achieved by a more competitive electricity market.

III. DEPARTMENT OBJECTIVES

In this docket, the Department begins the transition from regulation to competition in the electric industry in Massachusetts. Included in this investigation is an examination of approaches that would give electricity consumers the opportunity to choose among different suppliers of electricity services, while still receiving their electricity from the distribution network. It is likely that actions taken by the Department will bring about substantial improvements in industry performance and reductions in prices over a period of several years. In other forums, some utility industry representatives have suggested that state regulators should adopt "ground rules" for competition that would ensure utility financial stability during a period of transition. While the Department is sensitive to this issue, the Department's analysis suggests that a much more fully competitive electric industry has already started to evolve.

Discussion of the future of the electric power industry is occurring nationwide. The Department notes that other jurisdictions, California in particular, have focused their investigations on two competing models for the future structure of the electric power industry. One model is a bilateral retail wheeling structure, where utilities would continue to be vertically integrated, but would compete for the demand of their native load customers. The other model is a transmission pool, which would likely be accompanied by the complete separation of transmission operation from generation and distribution services. Recently, a variant of the transmission pool model has been suggested. Under this variant model, if transmission were divested, it would be "marked up" from its current book value to a new value that reflects the replacement value of the transmission assets. The increase in transmission value would raise rates for unbundled transmission service and offset reductions in the cost of power made possible by large scale writedowns of generation assets. These and any other proposed models must be evaluated for their ability to bring benefits to Massachusetts consumers and promote a competitive structure, while still achieving reliability and a broad range of other public policy goals.

The Department recognizes that any change in the electric industry in Massachusetts would likely affect the electric industry in New England and possibly the Northeast as a whole. As a result, the Department has been engaged in roundtable discussions with other New England regulators and industry representatives on such matters as the establishment of a regional transmission group ("RTG"). The Department understands that communication and, where appropriate, cooperation, between the New England states is essential and will continue to be

pursued throughout this process. The investigation initiated by this NOI is a policy inquiry and is, accordingly, structured to be nonadversarial and nonadjudicative, so that the Department may continue to maintain open and constructive communication with small consumer, environmental, industrial, and electric industry spokespersons.

IV. PUBLIC PARTICIPATION

The Department invites all interested persons to file comments on the issues and questions attached. The Department also welcomes comments on any related issues of interest that are not specifically mentioned. Finally, the Department repeats that incentive mechanisms should be pursued by both electric and gas utilities, notwithstanding the pendency of this or any other Department investigation into public utility industry regulation and structure. Accordingly, the opening of this proceeding, along with the Department's ongoing investigation into incentive ratemaking, D.P.U. 94-158, should not discourage any utility that is prepared to present a specific incentive or restructuring proposal from doing so as soon as its own circumstances indicate it is an opportune time to present a petition. Such specific proposals will of course be handled within the usual adjudicatory processes.

The Department anticipates that numerous commenters will be interested in this proceeding. To allow all viewpoints to be heard, the Department will adopt the following procedure. First, initial written comments in response to this NOI should be filed by Friday, March 31, 1995. Following receipt of initial written comments, the Department may schedule public hearings on electric restructuring during the weeks of April 10, 1995 through April 21, 1995. Following these hearings, second-round comments should be filed by Friday, May 5, 1995.

All comments exceeding 20 pages in length must be accompanied by a concise cover summary. One original and 15 copies of all comments should be filed with: Mary Cottrell, Secretary, Department of Public Utilities, 100 Cambridge Street, Room 1210, Boston, Massachusetts 02202. The Department will make a compendium of all filed comments available at a copy center for interested persons to purchase. After the comments have been reviewed, the Department will determine whether to hold further discussions or hearings, or issue an Order on the results of its investigation.

V. ORDER

Accordingly, the Department hereby

VOTES: To open an inquiry into electric industry restructuring; and it is

ORDERED: That within seven days of the date of this Order, the Secretary of the Department shall publish the accompanying notice in all statewide and regional newspapers of daily circulation within the Commonwealth; and it is

FURTHER ORDERED: That within seven days of this Order, the Secretary of the Department shall serve a copy of this Order on the persons identified on the service list prepared for this inquiry, to include, among others, all gas and electric companies subject to the jurisdiction of the Department, the Attorney General of the Commonwealth, and the Division of Energy Resources of the Executive Office of Economic Affairs.

By Order of the Department,

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Kenneth Gordon, Chairman

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Mary Clark Webster, Commissioner

DEPARTMENT QUESTIONS ON ELECTRIC INDUSTRY RESTRUCTURING

Customer Choice

(1) The Department seeks comments regarding the possibilities for increased levels of customer choice to be exercised within the electric power industry. How can the industry best resolve accelerating demands for increased levels of customer choice? What are the implications of increased customer choice on the existing structure and operations of the industry in Massachusetts? Is the current vertically-integrated industry structure compatible with customer choice and efficient competition at the level of the end user? Is customer choice feasible for a narrow subset of customers only, or can customer choice penetrate the market fully? What timeline is relevant for considering increased levels of customer choice? In particular, the Department seeks comments regarding the industry structure that is most compatible with a broad range of customer choice options.

Future Industry Structure

(2) The Department seeks comment on all aspects of the possibilities for restructuring the electric industry. In particular, the Department requests comments on the industry structure that can be expected to enhance industry performance, particularly economic performance, over the foreseeable future. What are the major components of that structure? What are the major functions of each component? How will these components interact? How will that structure achieve the expected level of economic performance? What evidence, empirical or theoretical, supports selection of that particular structure?

(3) What role can new entities be expected to play in a restructured industry? What are their respective obligations? Which functions must be regulated in some manner, and which functions can be deregulated safely? How will these entities contribute to enhanced levels of customer choice?

(4) What role will existing entities, today's utilities, and independent power producers play in the future? How will these entities contribute to enhanced performance of the electric industry?

(5) The Department seeks comment on the power market of the future. What is the essential nature of the power market of the future? What are its essential features? Will it operate in terms of pooling and short-term transactions with a long-term component, bilateral trades, or forward markets? If pooling is indicated, is it best accomplished on a mandatory or voluntary basis? What levels of customer choice are contemplated in the power market of the future?

(6) Under a restructured industry, where will responsibility for the physical delivery of power reside? How will that delivery responsibility be coordinated among the various parties? Similarly, what responsibility and coordination arrangements will be required to accommodate the necessary financial transactions? How will those be provided?

Generation

(7) To what extent is divestiture of generation by vertically-integrated utilities a necessary component of restructuring? If necessary and desirable, how would divestiture best be accomplished? What is an appropriate timeline?

(8) To what extent can customer choice of generation be accommodated by restructuring? What practical considerations need to be taken into account when considering customer choice of generation?

(9) Can generation be expected to operate competitively, i.e., in the absence of regulation? What, if any, justification is there for a regulated generation segment of a restructured industry?

(10) As competition unfolds, what form of oversight is appropriate for siting new facilities? Are existing siting processes inconsistent with a competitive market? What role does siting play in ensuring that the benefits of competition are flowed through to customers? How is an appropriate concern for the environment best incorporated into changes to the siting process?

(11) Would the regulatory review of utility investments in new generating plant and DSM programs, pursuant to 220 C.M.R. §§ 9.00 et seq., have any role in a restructured electric industry? Should preapproval be eliminated from the regulatory scheme? Should preapproval play a limited role in a restructured electric industry?

(12) Does the review and approval of power purchase contracts, pursuant to G.L. c. 164, § 94A, constitute a preapproval of plant investment costs? Would continued application of § 94A be consistent with the workings of a restructured electric industry? Has § 94A been applied in a manner always consistent with its original purpose?

Transmission

(13) Under restructuring, is transmission likely to remain as a monopoly service? If so, how can fair and open access to monopoly facilities be assured for all parties? To what extent is a Regional Transmission Group ("RTG") sufficient to ensure non-discriminatory and open access? To what extent should divestiture of transmission, or other means of ensuring non-discriminatory and open access, be considered? What provisions must be established to ensure comparability of service for all users?

(14) Under restructuring proposals, what are the appropriate pricing regimes for transmission services? Should these be set by regulation, or some other means? Should transmission providers be expected to offer services on an "unbundled" basis? What other functions, if any, should transmission entities be responsible for? How should these be priced?

Distribution

(15) The Department seeks comment on the distribution industry of the future. Is distribution-only, i.e., separate from generation and transmission, feasible and desirable as a niche within a

restructured industry? What are the advantages of a distribution-only arrangement? What are the alternatives to distribution-only regimes, with what advantages? Under restructuring, is distribution likely to remain as a monopoly service? Are alternatives to monopoly realistic? What form of regulation, if any, is appropriate for distribution-only providers? How will a distribution-only provider interact with other suppliers of services in a restructured industry? What functions should a distribution-only firm be expected to perform in a restructured industry?

(16) Under restructuring proposals, what are the appropriate pricing regimes for distribution services? Should these be set by regulation, or some other means? Should distribution providers be expected to offer services on an "unbundled" basis? What other functions, if any, should distribution entities be responsible for? How should these be priced?

Restructuring: Benefits

(17) The Department seeks comment regarding the opportunity for all customer groups to participate in and benefit from a restructured industry. Is broad-based participation realistic? If not, how can all customer groups benefit from a more competitive industry structure? What form are these benefits likely to take?

(18) What industry opportunities are likely to be created as a result of a restructured industry? What form will these opportunities take -- new products or services, new institutional arrangements, other? How will a particular structure create opportunities for the industry?

Restructuring: Costs/Ratemaking

(19) How should historical costs be addressed in light of restructuring? To what extent should a consideration of historical costs reflect issues of fairness? efficiency? What is the on-going obligation to commitments made with regulatory approval in previous years?

(20) How should the Department address writeups and writedowns in the book value of existing purchase power agreements, generating units, or other existing assets?

(21) Under what conditions should investment be considered to be "stranded"? What is the appropriate methodology for determining whether stranded investment exists? What is a reasonable time period by which the stranded investment issue can be addressed and resolved? What impact would different Department decisions regarding stranded investment have on electric utility industry restructuring? What treatment is most likely to benefit customers into the future? Are there identifiable categories of stranded investment that would be best dealt with on some separate basis?

(22) The Department seeks comment regarding the relationship between incentive regulation and restructuring. What is the appropriate role for incentive regulation within a restructured industry? Which particular segments of a restructured industry should be considered for incentive regulation? Within the context of restructuring, is a broad application of incentive regulation, across many functions, preferable to a narrow application?

(23) Within each of the components of the restructured industry, what are the relevant pricing regimes (e.g., competition, by regulation)? If regulation, what form of regulation is needed? Under what jurisdictional body?

(24) What are the appropriate rate treatments for any costs associated with restructuring? What mechanisms can the Department use to address restructuring costs?

Jurisdictional Issues

(25) What authority does the Department have to undertake and/or promote customer choice and associated industry restructuring? What changes to Department precedent and/or statutory changes, if any, would be required to facilitate customer choice and associated restructuring?

(26) The Department seeks comments regarding state/federal jurisdictional issues that must be addressed to accommodate restructuring. What state/federal jurisdictional conflicts arise within the context of restructuring? How can these best be resolved?

(27) The Department seeks comments regarding any antitrust issues that should be considered under a restructured industry. What are the antitrust implications of restructuring? How can these best be resolved? What role should the Department play in ensuring competition after customer choice has been introduced and restructuring has taken place?

Regulatory Role

(28) The Department seeks comments on deregulation of the electric power industry. How much deregulation is in the public interest? What is the role of regulation in a new industry structure? Is a new industry structure best designed to be unregulated, or are there elements which would require regulatory oversight? Are existing institutions adequate or ought these to be changed? How might deregulation be achieved?

(29) What should be the role of the Department in managing the transition through restructuring? What are the important steps that must be taken by the Department to facilitate restructuring? What should be the role of the Department following restructuring?

(30) Should the Department consider interim adjustments to its regulatory framework in anticipation of changes to the electric industry? Specifically, what interim adjustments should be initiated, when, and for what purpose?

(31) How should the various components of a restructured industry be regulated, if at all? Is regulation needed within certain segments, while others can be expected to function best outside of a regulatory framework? What is the rationale for continued regulation? How might deregulation be achieved?

(32) To what extent, if at all, are existing regulatory policies consistent with a restructured

industry (e.g., pre-approval, Integrated Resource Management, obligation to serve, exclusive franchise territories, supplier of last resort)? What are the appropriate remedies to any inconsistencies?

(33) What, if any, changes to the General Laws of the Commonwealth and to Department regulations (220 C.M.R. §§ 1.00 et seq.) may be needed to effect restructuring?

Effects on Different Classes of Customer

(34) The Department seeks comment regarding the equitable treatment of social goals such as low income programs, environmental protection, and energy efficiency under a restructuring of the industry. How can social goals be pursued in a restructured industry? Are social goals best addressed in an alternative regulatory setting? Are alternative instruments appropriate as a means of pursuing these social goals?

(35) Is cost-shifting among customer classes a relevant concern for restructuring? Specifically, what are the cost-shifting concerns? If cost-shifting is of concern, how can restructuring proceed while guarding against possible cost-shifting outcomes?

Transition Issues

(36) What is the best short-term means to accommodate demands of large customers for lower electric rates?

(37) The Department seeks comments regarding the issues that would arise in the New England region if Massachusetts alone were to undertake restructuring. What problems would result as a direct consequence of Massachusetts' action? What problems would result indirectly? How can these be addressed? What are the benefits, if any, to restructuring only within Massachusetts?

(38) As competition unfolds, what continuing obligations, if any, can reasonably be expected of restructured firms? Should these change through time? How, and with what end result?

(39) What are the major advantages and disadvantages of opening markets for incremental load? Is this a desirable step to take? Why?

(40) Should a restructuring of the industry proceed selectively, segment-by-segment, or should it proceed across all segments simultaneously?

(41) What is the appropriate timeline to allow for a restructuring of the industry? What are the major milestones along that timeline?

(42) Under a restructured industry, is uniformity in reliability and quality of service desirable? To what extent should a range of reliability and quality of service combinations be offered and priced accordingly? What are the major implications of various levels of reliability and quality of service? Is regulatory oversight required or are these objectives achievable through the

marketplace?

Short-Term Issues

(43) Some of the above issues will not be resolved immediately. The Department remains open, however, to any suggestions that may lead to lower costs or improved service to customers in the short term.