

ELECTRICITY RESTRUCTURING

“A LONG DAY’S JOURNEY INTO NIGHT?”

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State of Oklahoma -

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ISSUES

1. Can markets produce the symmetries and discipline required for adequate investment and supply to consumers on a reliable, reasonably priced basis?
2. Has electricity restructuring increased aggregate risk?

GENERATION

Regulated Environment

1. Ratepayer is Investor.
2. State Regulator is the Gatekeeper.
3. Investment decisions are systematic, disciplined and governed by long-term system planning

Unregulated Environment

1. Wall Street is Investor.
2. The Professional Investment Manager is the Gatekeeper.
3. Investment decisions are unregimented, opportunistic and independent.

Electric Generation is likely to be less consistent in the restructured, unregulated environment.

1. Wall Street Conducive to Boom and Bust Investment Cycles.
2. Investment Manger's Incentives vs. the Risk Characteristics of Power Plant Investments Are Mismatched.
3. Absence of Coordinated Long Range System Planning Results in Misfits.

TRANSMISSION

Regulated Environment

1. Ratepayer is Investor.
2. State Regulator is the Gatekeeper.
3. Generation & Transmission in a Single Entity.
4. Regulation and Planning Statewide in Scope.

Unregulated Environment

1. Ratepayer is Investor.
2. Various Stakeholders from Multiple Jurisdictions are the Gatekeepers.
3. Generation & Transmission in Separate Entities.
4. Regulation and Planning Regional in Scope.

Transmission - Principal Risk

GRID LOCK

THE BENEFIT OF
RESTRUCTURING

INNOVATION