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May 13, 2004

VIA HAND DELIVERY

COMMISSION
CLERK

MAY 13 PM 1:20

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Blanca S. Bayo, Director
Commission Clerk and
Director of Administrative Services
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0800

**Re: Docket No. 020233-EI Review of Grid Florida Regional Transmission
Organization (RTO) Proposal.**

Dear Ms. Bayo:

Attached please find the original and fifteen copies of JEA's Comments on Market Design
Issues. Also attached is a copy to be stamped and returned to our office.

Should you have questions or need any additional information, please contact me. Thank you
for your assistance in this matter.


Very truly yours,



Suzanne Brownless
Attorney for JEA.

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FPSC-BUREAU OF RECORDS

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FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Review of GridFlorida Regional
Transmission Organization (RTO)
Proposal.

DOCKET NO. 020233-EI
Filed: May 13, 2004

JEA'S COMMENTS ON MARKET DESIGN ISSUES

Pursuant to Order No. PSC-03-1414-PCO-EI (Order 03-1414), issued by the Commission on December 15, 2003, JEA, by and through its undersigned counsel, files its comments to the GridFlorida Applicants (Applicants, GF) Issues for May 19-21, 2004 Market Design Workshop filed on April 29, 2004, and states as follows:

1. JEA compliments the Applicants for providing a detailed outline to assist in the dialogue that will take place between the stakeholders at the May 19-20th Workshop. The comments that follow are JEA's initial thoughts on the ideas and issues raised and are subject to change based upon the exchanges between the stakeholders that take place at the Workshop and comments filed subsequent to the Workshop by the participants.

2. Unique Characteristics of Peninsular Florida

The Applicants have identified six characteristics of Peninsular Florida which need to be taken into account when crafting a Market Design for the state. JEA agrees with the characteristics listed and would add one more as follows:

- Under current Florida law, it is unlikely that there will be significant uncommitted independent power capacity in GridFlorida available for sale to electric power marketers or LSEs inside or outside of Florida.

3. Core Objectives

The Applicants have identified four core objectives for the energy market in Peninsular Florida which must be satisfied. JEA agrees with the four core objectives with the revision to the third objective stated below:

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- There should be assurance of sufficient resources, as identified by the Ten Year Site Plan process established by §180.801, Florida Statutes, and the Florida Electrical Power Plant Siting Act, §§ 403.501-518, Florida Statutes, (e.g., installed capacity reserves) to provide adequate and reliable service of the customers of Peninsular Florida.

Additionally, JEA would add the following two core objectives:

- The market design should minimize cost shifts, thus encouraging broad participation by all existing transmission owners.
- The market design should utilize mechanisms and implement strategies that minimize the overall cost of operation of GridFlorida.

4. Market Design and Congestion Management

(a) Energy Pricing: JEA supports a market clearing price with a hybrid of a bilateral contract and centralized market.

(b) Transmission Service: JEA supports an integrated approach under an LMP model with financial transmission rights for network service to GridFlorida retail load. Exports from GridFlorida would need to be prescheduled.

(c) Market Settlement: JEA supports a two settlement system including both a day-ahead market and a real-time market which addresses real-time imbalances and real-time congestion.

(d) Nodal or Zonal: JEA suggests that generators be paid the LMP at their bus (node), while loads pay the load-weighted LMP in their zone.

(e) Bid Structure: JEA supports a bid system with multiple cost components, including energy, no load, start-up, and variable costs.

(f) Bids: JEA proposes cost-based bids for GridFlorida.

(g) Day-ahead bidding requirement: JEA supports partial mandatory bids with each LSE having an obligation to bid to cover its projected demand plus its margin of reserve not otherwise covered by bilateral schedules.

(h) Limitation on Use of Real-Time Market: JEA does not support a balanced schedule requirement.

(i) Transmission Rights: JEA supports the use of financial transmission rights with allocation to existing users in a manner that minimizes cost shifts due to congestion.

(j) Redispatch Service: In a day-one market JEA supports the use of redispatch to create the counter flows needed to allow a transaction to continue or to grant a new transmission service request. Redispatch service will not be needed in a day-two market.

(k) Control Area Option: JEA supports the use of a hierarchical control system that maintains existing control areas since this will minimize the initial cost of the RTO's implementation and allow

greater flexibility for electric utilities to enter or exit GridFlorida.

(l) Ancillary Services:

JEA agrees that parties should be allowed to self-provide and enter into bilateral agreements to provide ancillary services. JEA believes that the administration of ancillary services, including reactive supply and voltage control from generation sources services, regulation and frequency response service, energy imbalance service and operating reserve/supplemental reserve service, is dependent upon the treatment of the other issues identified above, e.g., the use of cost-based bidding. JEA is willing to work with the other stakeholders and the Applicants to develop the protocols necessary to fairly administer these services.

(m) Losses: JEA is open to the LMP including marginal losses. However, JEA is concerned that in other parts of the country the inclusion of marginal losses has resulted in overcollections. JEA is not convinced that return-in-kind compensation for losses is a viable solution but fears that it would lead to definitional squabbling.

5. Market Monitoring and Market Power Mitigation

(a) Structure of the Market Monitor: JEA supports contracting with an independent Market Monitor who would report directly to the GridFlorida Board.

(b) Funding and Budget: The cost of the Market Monitor should be a component of the Grid Management Charge.

(c) Methods of Monitoring: Using cost-based bidding, the problems associated with market power would be greatly reduced along with the duties of the Market Monitor. The Market Monitor should have the right to identify and investigate any activity that it believes might constitute or result in market manipulation. Once such activity is confirmed, the Market Monitor should report these findings to the RTO Board, all participating members and the appropriate regulatory and law enforcement authorities.

(d) Timing of Mitigation: A market participant's actions should be mitigated prior to accepting and posting schedules where practical.

(e) Automatic or Manual Mitigation: JEA supports manual mitigation where necessary under a cost-based bidding system allowing the participant an opportunity to explain apparently anomalous bidding prior to mitigation.

(f) Mitigation Measures: Use of a cost-based bidding system would greatly reduce the use of mitigation measures, e.g., "must-run" units would be bidding based on their actual costs just like every other unit. Likewise, "safety-net bid caps" would not be needed for the electric utilities' transactions associated with the vast majority of the state's generation capacity.

(g) Withholding Sanctions: The Market Monitor should be able to investigate and sanction both financial and physical withholding. The results of any investigation confirming such withholding should be reported to the GridFlorida Board, all participating members and all transmission buyers.

6. Resource Adequacy

(a) Authority to Establish: The Florida Public Service Commission (FPSC) through the Ten Year Site Plan process established by §180.801, Florida Statutes, and the Florida Electrical Power Plant Siting Act, §§ 403.501-518, Florida Statutes, should continue to establish the appropriate level of generation and transmission capacity for the state.

(b) Level of Resource Adequacy Requirement: Loss of Load Probability that includes CBM as the equivalent of installed capacity should be used to establish the level of resource adequacy requirement.

(c) Availability of Markets/Deficiency Auction: There should be a centralized capacity market with a voluntary market administered by the RTO to clear bids offered for capacity.

(d) Term of Obligation: There should be both short-term and long-term obligations on the part of each LSE.

(e) Enforcement: Sanctions should be applied after-the-fact and assigned by the RTO, FPSC and/or FRCC depending on whether the infraction was committed by a member of the RTO or non-member.

7. Treatment of Capacity Benefit Margin

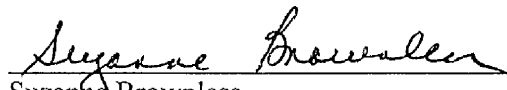
(a) Application in Peninsular Florida: CBM should be included in the interface ATC calculation.

(b) Establishment: The LSE would initially designate CBM with the RTO who in turn would include CBM reservations in the ATC calculations.

(c) Associated Transmission: There should be a physical reservation of the CBM included in the ATC calculations.

8. Regulatory/legislative environment: JEA will be prepared to discuss the current regulatory/legislative environment as it relates to the development of GridFlorida at the Market Design Workshop. Further, JEA reserves the right to respond, both at the Workshop and in written comments filed subsequent to the Workshop, to the Applicants' positions on this issue presented at the pricing issues workshop.

Respectfully submitted this 13th day of May, 2004 by:

A handwritten signature in cursive script that reads "Suzanne Brownless". The signature is written in black ink and is positioned above a horizontal line.

Suzanne Brownless

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CERTIFICATE OF SERVICE

I **HEREBY CERTIFY** that a true and correct copy of the foregoing has been furnished by U.S. Mail to all parties listed below and also by (*) Hand-Delivery as indicated on this 13th day of May, 2004.

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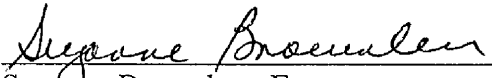
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