RUTLEDGE, ECENIA, PURNELL & HOFFMAN
PROFESSIONAL ASSOCIATION
ATTORNEYS AND COUNSELORS AT LAW

ORIGINAL

STEPHEN A. ECENIA
RICHARD M. ELLIS
KENNETH A. HOFFMAN
THOMAS W. KONRAD
MICHAEL G. MAIDA
MARTIN P. McDONNELL
J. STEPHEN MENTON

POST OFFICE BOX 551, 32302-0551
215 SOUTH MONROE STREET, SUITE 420
TALLAHASSEE, FLORIDA 32301-1841

TELEPHONE (850) 681-6788
TELECOPIER (850) 681-6515

R. DAVID PRESCOTT
HAROLD F. X. PURNELL
MARSHA E. RULE
GARY R. RUTLEDGE

GOVERNMENTAL CONSULTANTS
MARGARET A. MENDUNI
M. LANE STEPHENS

September 19, 2002

VIA HAND DELIVERY

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Betty Easley Conference Center, Room 110
Tallahassee, Florida 32399-0850

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COMMISSION CLERK

Re: Docket No. 020233-EI

Dear Ms. Bayo:

Enclosed herewith for filing on behalf of Florida Power & Light Company, Florida Power Corporation and Tampa Electric Company (the "GridFlorida Companies") are an original and fifteen copies of the following documents:

1. the Petition of the GridFlorida Companies regarding Prudence of GridFlorida Market Design Principles; 10047-02

2. the Prepared Direct Testimony of C. Martin Mennes, Lee G. Schuster and Greg Ramon; and 10048-02

3. the Prepared Direct Testimony of Mark A. Rossi. 10049-02

Please acknowledge receipt of these documents by stamping the extra copy of this letter "filed" and returning the same to me. Thank you for your assistance with this filing.

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Sincerely,

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Kenneth A. Hoffman, Esq.

KAH/rl
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cc: All Parties of Record

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Review of GridFlorida Regional Transmission Organization (RTO) Proposal	))))	Docket No. 020233-EI Filed September 19, 2002

PETITION OF THE GRIDFLORIDA COMPANIES REGARDING PRUDENCE OF GRIDFLORIDA MARKET DESIGN PRINCIPLES

Pursuant to the Commission's Order Determining GridFlorida's Compliance with Order No. PSC-01-2489-FOF-EI and Requiring Evidentiary Hearing, issued in the above-captioned docket on September 3, 2002, Order No. PSC-02-1199-PAA-EI, Florida Power Corporation, Florida Power & Light Company, and Tampa Electric Company (referred to collectively as the "GridFlorida Companies") hereby file this Petition requesting the Commission to enter a final order determining that it is prudent for the GridFlorida Companies to develop detailed market design rules and a transmission tariff for peninsular Florida that include the following characteristics:

(1) Congestion management and energy markets that are based on financial rights and locational marginal pricing ("LMP") concepts.

(2) A voluntary day-ahead market and a real-time market, with mechanisms to protect against undue reliance on the real-time market. The availability of these two markets sometimes is referred to as a "multi-settlement system."

(3) Payments of market clearing prices calculated on a "nodal" basis. Market clearing prices would be paid by and to purchasers and suppliers, respec-

tively, in both the day-ahead and real-time markets. Each GridFlorida Company proposes that a substantial portion of its gain on sales in the GridFlorida energy markets be allocated to its retail customers.

(4) Mechanisms to ensure resource adequacy. These mechanisms, which would be consistent with the Commission's planning reserve requirements, would allocate capacity requirements on an individual load serving entity ("LSE") basis.

(5) Allocation of financial transmission rights to existing users to protect those users, to the extent possible, against increases in congestion costs. This would include an annual re-allocation for new resources and to reflect native load growth.

(6) Market power mitigation measures to provide safeguards against abuses of market power.

(7) A hierarchical control system, wherein existing control areas may be maintained, but GridFlorida would be responsible for the short-term reliability and overall performance of the system.

The GridFlorida Companies also request the Commission to enter a final order determining that the proposed procedures for developing detailed market rules and market mitigation rules described herein should be followed.

In support of this Petition, the GridFlorida Companies state:

1. The names, addresses, telephone numbers and facsimile numbers of the GridFlorida Companies are set forth below. All pleadings, notices, staff recommenda-

tions, orders, and other documents filed or served in this proceeding should be forwarded to the following on behalf of the GridFlorida Companies:

WILLIAM G. WALKER
Florida Power & Light Company
215 S. Monroe Street, Suite 810
Tallahassee, FL 32301
Telephone: (850) 224-7197
Fax: (850) 224-7517

KENNETH A. HOFFMAN, Esq.
Rutledge, Ecenia, Purnell & Hoffman, P. A.
P. O. Box 551
Tallahassee, FL 32302
Telephone: (850) 681-6788
Fax: (850) 681--6515
On behalf of Florida Power & Light Co.

HARRY W. LONG, JR., Esq.
Tampa Electric Company
Post Office Box 111
Tampa, FL 33601
Telephone: (813) 228-1702
Fax: (813) 228-1770

LEE L. WILLIS, Esq.
JAMES D. BEASLEY, Esq.
Ausley & McMullen
Post Office Box 391
Tallahassee, FL 32302
Telephone: (850) 224-9115
Fax: (850) 222-7952
On behalf of Tampa Electric Company

JAMES A. MCGEE, Esq.
Florida Power Corporation
Post Office Box 14042
St. Petersburg, FL 33733
Telephone: (727) 820-5185
Fax: (727) 820-5519
On behalf of Florida Power Corporation

2. As regulated electric utilities, the GridFlorida Companies' reasonable and prudent costs for providing retail electric service are recoverable through rates and charges approved by this Commission. The GridFlorida Companies also are public utilities subject to the jurisdiction of the Federal Energy Regulatory Commission ("FERC") with respect to the provision of unbundled transmission service and wholesale electric service.

I. Introduction

3. As explained further below, the market design principles proposed herein are intended to build upon, and be consistent with, the current structure in peninsular Florida for selling and purchasing power, in which LSEs serve their loads by utilizing resources they own and by utilizing power purchased through voluntary, bilateral arrangements. The principles make up an integrated package for the development of a detailed market design structure that would provide for energy markets and a congestion management system that would send transparent price signals to users of the grid, allocate costs to those entities that cause such costs, and maintain the high levels of reliability that are enjoyed today. Because such a market design structure would benefit retail customers in Florida, the Commission should find that the principles proposed herein form a prudent basis for developing detailed market rules and a transmission tariff for GridFlorida.

4. As the Commission is aware, FERC has issued a rulemaking proceeding to develop standard market design ("SMD") rules for the country. The GridFlorida Companies wish to clarify that they are not here proposing to adopt SMD. The GridFlorida Companies believe that any market design structure implemented in peninsular Florida should be specifically tailored to meet the needs of Florida's retail customers, should be equitable to market participants, should recognize the current structure of the peninsular Florida electricity markets, and should include the market design principles described in this Petition. Unless the market design structure is specifically adapted to meet the unique needs of Florida, retail customers may not benefit from the new markets, or could even be harmed. The GridFlorida Companies have

concerns with FERC's current SMD proposal that they intend to pursue at FERC as appropriate.

5. Ultimately, detailed market design rules and protocols must be established for GridFlorida to implement these principles. The GridFlorida Companies believe that additional stakeholder input and Commission review are necessary for the development of these detailed rules. The GridFlorida Companies thus address below the procedures they propose for such development.

II. Discussion

6. The market design structure the GridFlorida Companies propose for GridFlorida is built around an LMP/financial rights/multi-settlement model. LMP refers to an energy pricing mechanism under which prices for energy are determined at each node on the system, based on the additional cost that would be incurred to serve an additional MW of load at the particular node. Nodes under LMP market structures generally include all of the substations of the transmission system that are modeled by the system operator. The price to serve load at different nodes will be the same when the system is not congested (assuming losses are not included in calculating LMPs), and will be different when the transmission system becomes congested.

7. Under a financial rights model, a market participant may submit its schedules, *i.e.*, may schedule with the Regional Transmission Organization ("RTO") to deliver power from resources to loads, without the need for obtaining a physical right to the system, but any market participant that submits such a schedule will be responsible for the congestion costs associated with its schedule. Those congestion costs are equal to

the difference in nodal prices at the respective delivery and receipt points. Thus, under a simplified example, if a market participant submits a schedule to inject power at Point A, which has a market clearing price of $10 per MW, and withdraw power at Point B, which has a market clearing price of $15 per MW, that market participant will be responsible for congestion charges equal to $5 per MW of its transaction.

8. Financial rights--*i.e.*, rights to receive revenues from congestion charges collected by GridFlorida--will be available to market participants, allowing those market participants to hedge against congestion costs. A holder of a financial right will have a right to receive a payment from GridFlorida equal to the difference between the market clearing price at the point of withdrawal specified in the financial right (*i.e.*, a specified node) and the market clearing price at the point of injection specified in the financial right (*i.e.*, a different specified node). Thus, in the example above a financial right between Points A and B would entitle the holder to a payment of $5 for each such financial right it holds. As a result, if the market participant above transacts 100 MW between Points A and B, and also holds 100 financial rights between those points, it will owe $500 in congestion charges and be entitled to $500 in financial right payments. That market participant's financial rights will provide a hedge against congestion for its transaction.

9. Finally, under a multi-settlement system market participants may purchase and sell energy in a voluntary day-ahead market and a real-time market, in addition to transacting through bilateral arrangements. The day-ahead market clears offers from generators that wish to supply energy and bids from LSEs that wish to

purchase energy through this market. The goal is to meet the total bid-in demand at the least cost from supply, subject to the transactions scheduled by LSEs from the LSEs' own resources and bilateral transactions. An LSE is not obligated to purchase energy in this market; it is free to schedule its own resources and resources it purchased on a bilateral basis to serve its load. However, to the extent an LSE or supplier participates in the day-ahead market, the results of that market are financially binding.

10. GridFlorida will operate the system to resolve all real-time deviations from an LSE's final schedule (*e.g.*, load in excess of the amount scheduled by an LSE to be served by self-schedule, bilateral purchase, or day-ahead spot market purchases) using least-cost, security constrained dispatch. The real-time market LMPs will be utilized for pricing the energy purchased and sold in that market.

11. In addition to the foundation established by an LMP/financial rights/multi-settlement system, a number of additional principles must be established to form an overall market design structure in the interests of peninsular Florida, and that will provide a prudent basis for moving forward to develop detailed market rules. The issues these additional principles address will arise under any market design structure proposed for peninsular Florida. As discussed further below, the GridFlorida Companies believe that, in addition to LMP, financial rights, and multi-settlements, a prudent market design structure in peninsular Florida should include the following: Payments of market clearing prices; mechanisms to ensure resource adequacy; an allocation of transmission rights to existing users to protect those users, to the extent possible, against increases in

congestion costs, including for native load growth; market power mitigation measures to ensure against abuses of market power; and a hierarchical control system.

12. Each of the principles discussed above represents one component of an integrated market design structure that is appropriate for peninsular Florida, *i.e.*, that will benefit Florida's retail customers through transparent wholesale markets and congestion management while helping to maintain the high levels of reliability currently enjoyed in the State. These principles, as a package, thus provide a sound and prudent basis for developing a detailed GridFlorida market design structure.

A. A Financial Rights/LMP/Multi-Settlement Market Design, With a Mechanism to Protect Against Undue Reliance on the Real-Time Market, Is Prudent

1. Financial Rights/LMP/Multi-Settlement

13. The GridFlorida Companies propose a financial rights/LMP/multi-settlement system as the foundation for the GridFlorida market design for three reasons. First, the GridFlorida Companies believe that such a market design would provide functional markets that provide transparent price signals for energy markets and congestion management, and that allocate costs to those entities that cause such costs. Second, such a market design structure should help minimize the time and cost associated with implementing new markets. Third, such a market structure should help attain the Commission's goal of maintaining GridFlorida as a Florida-specific RTO. Importantly, a financial rights/LMP market structure has proven to be successful in both the Pennsylvania-New Jersey-Maryland Interconnection Independent System Operator

("ISO") and the New York ISO. On the other hand, other market designs have not been as successful.

14. With regard to transparency of nodal energy prices and congestion management, when there is no congestion (and assuming losses are not included in the LMP calculation) nodal energy prices will be the same. When there is congestion, the nodal prices will differ due to the fact that more expensive generation will need to be used to serve load in the congested area. The results are both congestion charges and energy prices that reflect system conditions, and that will be transparent to users of the grid. Also, as discussed further below, costs will be allocated to those entities that cause such costs.

15. With regard to ease of implementation, financial rights/LMP market designs coupled with two-settlement systems have been implemented or are being considered by many ISOs and RTOs throughout the country. Because this structure is becoming more wide-spread, obtaining and implementing software and developing detailed operating and other protocols for it should be relatively straightforward and cost-effective. Also, because many market participants already will be familiar with LMP/financial rights/multi-settlement systems, that approach has the potential to be relatively user friendly, making training easier.

16. These implementation benefits should be on-going. One reasonably can expect that the detailed market design structure initially established for GridFlorida will evolve over time, just as market designs in current ISOs have changed. As more experience is gained with the new markets, some minor and some not-so-minor changes

likely will be discovered that can benefit customers. Using a market structure that is compatible with other regions of the country will allow GridFlorida to benefit from the experience gained in those other regions, and to utilize software and other systems changes that other regions adopt and that would be appropriate for peninsular Florida.

17. Finally, the GridFlorida Companies believe that this market structure will best support GridFlorida as a Florida-only RTO due to the fact that it should minimize seams issues. Concerns about seams typically have been major motivating factors behind calls for consolidating RTOs and potential RTOs throughout the country, as seams can impede inter-regional trading. Inter-regional transactions should be more practical if GridFlorida utilizes the same basic market structure as other ISOs and RTOs.

2. Mechanism to Protect Against Undue Reliance on the Real-Time Market

18. The GridFlorida Companies believe that specific mechanisms should be adopted to protect against undue reliance on the real-time market, *i.e.*, that are designed to ensure that adequate resources will be available in real-time to reliably operate the system. While the proposed GridFlorida market design structure would permit LSEs to self-schedule their own resources, purchase power on a bilateral basis, and/or purchase power through a voluntary day-ahead market, there may be some LSEs that wait until the last minute to procure the supplies essential to meeting their loads, or attempt to rely heavily (*i.e.*, lean) on the real-time market to serve their loads. These LSEs may believe that they can obtain an economic advantage by taking such an approach, or there may be other reasons for doing so.

19. Regardless of the reasons for doing so, there can be significant operational concerns that arise as a result of LSEs waiting until the last possible moment to procure the supplies essential to meeting their loads, or not procuring resources and instead relying on generation being available in the real-time market. A basic tenet of reliable utility operations is ensuring that sufficient resources will be available to serve load on a real-time basis, while maintaining adequate operating reserves. If LSEs rely to any significant degree on the real-time market to serve load, rather than entering into prior arrangements to do so, there is a real risk that sufficient resources will not be available for these purposes. Further, LSEs waiting until the last minute prior to real-time before obtaining resources can make it difficult for the RTO to reasonably plan the operating day, also jeopardizing reliability. The GridFlorida Companies thus believe that a specific mechanism to ensure the availability of needed resources should be adopted to ensure that an LSE's purchase decisions do not adversely affect reliability.

20. Earlier GridFlorida proposals included a balanced schedule requirement to avoid over-reliance on the real-time market. However, the GridFlorida Companies believe that mechanisms other than balanced schedules should be developed that will better provide LSEs with flexibility in serving their load, provide the RTO with assurances that sufficient resources will be available in real-time, and that will allocate the costs of making such resources available to those entities that cause such costs. The GridFlorida Companies thus are not proposing to include a balanced schedule requirement as part of the GridFlorida market design structure. Instead, the specific mechanism to ensure against undue reliance on the real-time market and to ensure the

needed availability of adequate resources would be developed along with the other detailed market design rules.

21. An essential component of the mechanism ultimately adopted will be to ensure that costs are allocated to those entities that cause the costs. That is, to the extent a cost is incurred to ensure that a resource will be available for real-time operations, that cost should be allocated to the LSEs that had not made adequate arrangements prior to real-time, thus necessitating the need to incur the cost. Such an approach will be consistent with the principle of cost causation.

B. Inclusion of Market Clearing Prices, With a Sharing of the Gains on Energy Sales, is Prudent

22. The payment of market clearing prices is an essential component of the market design package the GridFlorida Companies are proposing. The entire LMP structure is built around, and assumes the payment of, market clearing prices. The benefits of such an approach would be lost were an alternative pricing structure adopted.

23. Further, a market clearing price approach is superior to a pay-as-bid pricing structure, which can lead to distorted bidding by suppliers. Unlike under a market clearing price approach, where a supplier can submit a bid with the expectation of receiving a market clearing price when that price exceeds its bid, under a pay-as-bid approach a supplier will recognize that its profit on a sale into the market will depend on its bid price, not on the market clearing price. That supplier thus will want to bid some amount above its operating cost to recover fixed costs and to make a profit. Absent some other bidding restriction on the supplier, that supplier can be expected to bid the

maximum amount above operating cost that it can bid and still be called-on to supply energy. That amount is the supplier's projection of the market clearing price.

24. The result under a pay-as-bid structure will be an inefficient mix of resources used to serve load. Under a bidding strategy where suppliers are guessing at a market clearing price, some suppliers will guess wrong. When a particular supplier is a low cost supplier, but its estimate of the market price is too high, that low cost supplier will not be dispatched.

25. The GridFlorida Companies recognize that concerns have been raised in the past that a market clearing price approach would lead to increased costs to Florida's retail customers. Such an assumption is not warranted. Whether prices to customers systematically are higher or lower under a market clearing price regime compared to a pay-as-bid regime would tend to turn on whether suppliers tended to guess high, *i.e.*, tended to submit bids that exceed the market clearing price that would occur under a market clearing price regime, or tended to guess low, submitting bids that would be below the market clearing price that would occur. However, while a conclusion in this regard cannot be stated unequivocally, the GridFlorida Companies do believe that ultimately the inefficiencies in generation dispatch that result under an approach other than a market clearing price approach can be expected to harm retail customers through higher energy costs.

26. Further, each of the GridFlorida Companies believes that a substantial portion of its gain on sales in the GridFlorida energy markets should be allocated to its retail customers. This not only will provide retail customers with significant protections

against higher costs, it can prevent wealth transfers between retail customers. Under a pay-as-bid approach, energy prices may not reflect the true market value of the energy being purchased. Thus, under such an approach one set of customers effectively may be able to utilize another set of customers' resources at less then the value of those resources. This transfers wealth from the second set of customers to the first.

27. For all of these reasons, the GridFlorida Companies believe that retail customers in peninsular Florida are best served by a market design structure that includes payment of market clearing prices.

C. The GridFlorida Companies' Market Power Mitigation Principle is Prudent

28. The GridFlorida Companies believe that any market design structure adopted for Florida should include market power mitigation measures and market monitoring procedures that are designed to protect against abuses of market power. The GridFlorida market monitoring structure already has been accepted by FERC and the Commission. The GridFlorida Companies propose in addition to develop specific market power mitigation measures through the process discussed below, which calls for stakeholder input and Commission review. Those measures would be developed and in place, and the market monitor would be established and operating, before any GridFlorida markets became operational.

29. It has been suggested in the past by some parties that a market design proposal cannot be deemed prudent until market power mitigation details have been developed and reviewed. The GridFlorida Companies do not agree. Market power

mitigation will need to be addressed, and can be addressed, under any of the market design structures that have been considered as part of the GridFlorida process, be it a physical rights model or a financial rights model, an LMP structure or a zonal pricing structure, or a market clearing price structure or pay-as-bid structure. In light of this fact, the GridFlorida Companies believe that a market design structure that is best for the retail customers of peninsular Florida--one that minimizes implementation costs, provides transparent price signals, ensures continuing reliability, and satisfies other important Commission goals--can and should be adopted as the first step of developing the GridFlorida markets. The necessary market mitigation measures that are consistent with that market design structure then can be established.

30. Indeed, the GridFlorida Companies believe that attempting to develop detailed market mitigation measures without acceptance of the high-level market design principles proposed herein would not be an efficient use of resources. The market power mitigation mechanisms must be consistent with and tailored to the overall market design structure.

D. The GridFlorida Companies' Proposal Regarding the Allocation of Financial Transmission Rights to Existing Users of the Grid is Prudent

31. Allocation of rights also is an issue of universal application; regardless of the market design structure adopted (physical or financial rights) the rights associated with that structure must be allocated to existing users and to new market participants. How to allocate rights has proven to be one of the most contentious issues faced when developing ISOs and RTOs throughout the country. Parties generally fall into two

camps: Those who support allocating rights directly to existing users without requiring those users to obtain such rights through an auction process, and those who support requiring all users to obtain rights through an auction (with an allocation of auction revenues to existing users). The GridFlorida Companies support an allocation of rights to existing users, not requiring existing users to obtain financial rights through an auction.

32. The GridFlorida Companies believe it is imperative that existing users are protected to the extent possible against unwarranted increases in costs for the services they receive today. Those entities that have rights to the system prior to the implementation of GridFlorida, either through existing contracts or as native load users, should receive similar rights through a direct allocation without the need to purchase those rights through some additional auction process. Absent such an allocation, existing users, and retail customers, could face an inappropriate allocation of congestion costs.

33. This risk arises for two basic reasons. First, because competitive electric markets are immature, it may be hard for LSEs, at least initially, to determine the level of congestion costs that likely will occur on a long-term basis between two points on the system. Thus, LSEs would not be well positioned, particularly initially, to determine the appropriate amount to bid for financial rights. Under these circumstances, LSEs may not obtain financial rights because they bid too low, subjecting them to congestion costs, or may obtain rights but pay more than the congestion costs they are attempting to hedge against. Second, a full auction process for transmission rights can be extremely

complicated. This can place undue risks on existing users if they have to purchase financial rights in an auction, as a lack of understanding of the complicated rules can result in an LSE not acquiring the rights it desires.

34. This is not to say that LSEs will receive an ironclad guarantee that they will be allocated financial rights sufficient to ensure against those LSEs paying any increased congestion costs relative to today. All financial rights (and, for that matter, physical rights under a physical rights model) must be simultaneously feasible. This can mean that an LSE may not receive through an allocation process all of the rights it desires to provide a perfect hedge against congestion costs, especially when congestion costs are incurred today to serve its load. It will receive through allocation as many rights from its resources to its loads that are simultaneously feasible with all other LSE allocations (up to the LSE's load).

35. The fact that an LSE may not receive an allocation of rights that provides a perfect hedge against congestion is not troublesome, however, and indeed is appropriate. It simply reflects the fact that the system can be congested in some locations, preventing all LSEs from serving their loads with the least-cost resources available. Under the market design structure proposed herein, the resulting congestion costs will be transparent. Thus, to the extent an LSE is causing congestion costs today but not fully incurring those costs, it will be subject to greater congestion costs than it pays today. It is important to note, however, that this does not necessarily reflect an increase in the total amount of system-wide congestion costs, but rather a better

allocation of such costs to those entities that cause them (consistent with the cost causation principle), but may not be paying them today.

E. The GridFlorida Companies' Resource Adequacy Principle is Prudent

36. The GridFlorida Companies believe that any market design structure must include a mechanism designed to help ensure resource adequacy. Adequate resources must be planned for and available when needed, or reliability will suffer. Also, as seen in California, insufficient availability of resources can lead to very high energy prices.

37. Further, the GridFlorida Companies believe that the foundation for such a mechanism should be the Commission's planning reserve requirements. That is, the GridFlorida Companies believe that the resource adequacy requirement must be consistent with, and build upon, the Commission's planning authority. The first step in, and the foundation for, the GridFlorida Companies' resource adequacy requirement thus will be this Commission's establishment of a reserve requirement for peninsular Florida. To fit within the new market structure, that reserve requirement then would be apportioned on an equitable basis among the individual LSEs. Doing so will help ensure that one LSE cannot unduly lean on another and obtain an advantage in the market. Finally, requirements and enforcement mechanisms that fit within the overall market design structure would be developed, and implemented by GridFlorida.

38. In short, the need to maintain resource adequacy hardly can be questioned. Such adequacy is essential both on reliability and cost grounds. The GridFlorida Companies propose to develop a mechanism for GridFlorida that will help assure such resource adequacy, *i.e.*, that adequate resources are planned and available to

GridFlorida; that is perfectly consistent with this Commission's authority over planning; and indeed that relies on such authority as the very foundation of the mechanism.

F. Proposed Next Steps

39. The GridFlorida Companies recognize that the market design principles discussed herein are just that, principles, which lay out a high level plan for a GridFlorida market design. However, these high level principles work as a package to provide a basic framework that the GridFlorida Companies believe will benefit retail customers in peninsular Florida through transparent and reliable markets. The GridFlorida Companies thus believe that these principles, as a package, provide a prudent basis for moving forward in developing the detailed market rules and market power mitigation rules that will be needed before GridFlorida markets open. For the reasons discussed herein, the Commission should approve these principles as such.

40. The GridFlorida Companies also recognize that here, as often is the case, "the devil is in the details." For this reason, the GridFlorida Companies believe that, following Commission approval of the principles discussed herein, the GridFlorida Companies should develop the detailed market design and market power mitigation rules with stakeholder input. Those detailed rules then would be subject to Commission review, and ultimately a filing by the GridFlorida Companies at FERC.

41. The GridFlorida Companies believe that such an approach would provide a number of benefits. First, it recognizes the desire of additional stakeholder input as the detailed market design and market mitigation rules are developed. Second, it recognizes the need for additional Commission review of the detailed rules, and the need for a

subsequent filing at FERC. Finally, it recognizes that ultimately it is the GridFlorida Companies that are responsible for filing the detailed GridFlorida rules and obtaining approval for those rules.

III. Conclusion

WHEREFORE, the GridFlorida Companies request the Commission to enter a final order determining that development of a market design structure and transmission tariff based on the following principles is prudent for GridFlorida:

(1) Congestion management and energy markets that are based on financial rights and LMP concepts.

(2) A voluntary day-ahead market and a real-time market, with mechanisms to protect against undue reliance on the real-time market.

(3) Payments of market clearing prices calculated on a nodal basis, with a substantial portion of each GridFlorida Company's gain on sales in the GridFlorida energy markets allocated to its retail customers.

(4) Mechanisms to ensure resource adequacy, pursuant to which capacity requirements are allocated on an individual LSE basis.

(5) Allocation of financial transmission rights to existing users to protect those users, to the extent possible, against increases in congestion costs, including an annual re-allocation for new resources and to reflect native load growth.

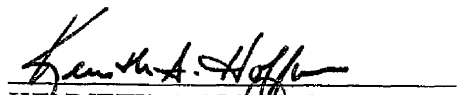
(6) Market power mitigation measures to provide safeguards against abuses of market power.

(7) A hierarchical control system.

These principles make up an integrated package for the development of a detailed market design structure that would provide for energy markets and a congestion management system that would send transparent price signals to users of the grid, while maintaining the high levels of reliability that are enjoyed today. The GridFlorida Companies believe that such a market design structure would benefit retail customers in Florida.

The GridFlorida Companies also request the Commission to enter a final order determining that the proposed procedures for developing detailed market design and market mitigation rules described herein should be followed.

DATED this 19th day of September, 2002.



KENNETH A. HOFFMAN, Esq.
Rutledge, Ecenia, Purnell & Hoffman, P. A.
P. O. Box 551
Tallahassee, FL 32302
Telephone: (850) 681-6788
Fax: (850) 681--6515
On behalf of Florida Power & Light Co.

WILLIAM G. WALKER
Florida Power & Light Company
215 S. Monroe Street, Suite 810
Tallahassee, FL 32301
Telephone: (850) 224-7197
Fax: (850) 224-7517

HARRY W. LONG, JR., Esq.
Tampa Electric Company
Post Office Box 111
Tampa, FL 33601
Telephone: (813) 228-1702
Fax: (813) 228-1770

LEE L. WILLIS, Esq.
JAMES D. BEASLEY, Esq.
Ausley & McMullen
Post Office Box 391
Tallahassee, FL 32302
Telephone: (850) 224-9115
Fax: (850) 222-7952
On behalf of Tampa Electric Company

JAMES A. MCGEE, Esq.
Florida Power Corporation
Post Office Box 14042
St. Petersburg, FL 33733
Telephone: (727) 820-5185
Fax: (727) 820-5519
On behalf of Florida Power Corporation

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the Petition of the GridFlorida Companies Regarding Prudence of GridFlorida Market Design Principles has been furnished by Electronic Mail(*), Overnight Delivery(**) or Hand Delivery(***) and by United States Mail this 19th day of September, 2002, to the following:

Wm. Cochran Keating, Esq.(*)
Jennifer Brubaker, Esq.(*)
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

James A. McGee, Esq.(*)
Florida Power Corporation
P. O. Box 14042
St. Petersburg, FL 33733

Lee L. Willis, Esq.(*)
Ausley & McMullen Law Firm
P. O. Box 391
Tallahassee, FL 32302

Harry M. Long, Jr., Esq.(*)
Tampa Electric Company
P. O. Box 111
Tampa, FL 33601

Leslie J. Paugh, Esq.(*)
P. O. Box 16069
Tallahassee, FL 32317-6069

Jon C. Moyle, Sr., Esq.(*)
Cathy Sellers, Esq.
Moyle, Flanigan, Katz, et al.
118 North Gadsden Street
Tallahassee, FL 32301

Ronald LaFace, Esq.(*)
Seann M. Frazier, Esq.
Greenberg Traurig
101 East College Avenue
Tallahassee, FL 32301

Joseph A. McGlothlin, Esq.(*)
Vicki Gordon Kaufman, Esq.(*)
McWhirter, Reeves, et al.
117 South Gadsden Street
Tallahassee, Florida 32301

Michael B. Twomey, Esq.(*)
P. O. Box 5256
Tallahassee, FL 32314-5256

Daniel E. Frank, Esq.(*)
Sutherland Asbill & Brennan LLP
1275 Pennsylvania Avenue, N.W.
Washington, DC 20004-2415

John W. McWhirter, Jr., Esq.(*)
McWhirter, Reeves, et al.
400 North Tampa Street, Suite 2450
Tampa, Florida 33601-3350

Thomas A. Cloud, Esq.(*)
W. Christoper Browder, Esq.
Gray, Harris & Robinson, PA
P. O. Box 3068
Orlando, FL 32802-3068

John Roger Howe, Esq.(*)
Office of Public Counsel
111 West Madison Street
Room 812
Tallahassee, FL 32399-1400

Bill Bryant, Jr., Esq.
Natalie Futch, Esq.(*)
106 East College Avenue, 12th Floor
Tallahassee, FL 32301

R. Wade Litchfield, Esq.(*)
Law Department
Florida Power & Light Company
700 Universe Boulevard
Juno Beach, Florida 33408-0420

David E. Goroff, Esq.(*)
Peter K. Matt, Esq.
1100 New York Avenue, N.W., Suite 510
Washington, DC 20005

Suzanne Brownless, Esq.(*)
1975 Burford Boulevard
Tallahassee, FL 32308

Michael B. Wedner, Esq.(*)
117 West Duval Street Suite 480
Jacksonville, FL 32202

Mr. P. G. Para(*)
JEA
21 West Church Street
Jacksonville, Florida 32202

Mark Sundback, Esq./Kenneth Wiseman, Esq.(*)
1701 Pennsylvania Avenue, NW, Suite 300
Washington, DC 20006

CPV Atlantic, Ltd.(**)
146 NW Central Park Plaza, Suite 101
Port Saint Lucie, FL 34986

Gary L. Sasso, Esq./James M. Walls, Esq.(*)
P. O. Box 2861
St. Petersburg, FL 33731

Dick Basford & Associates, Inc.(*)
5616 Fort Sumter Road
Jacksonville, FL 32210

Dynegy, Inc.
David L. Cruthirds(*)
1000 Louisiana Street, Suite 5800
Houston, TX 77002-5050

Michelle Hershel, Esq.(*)
Florida Electric Cooperative Association
2916 Apalachee Parkway
Tallahassee, FL 32301

Mr. Thomas W. Kaslow(*)
Calpine Corporation
The Pilot House, 2nd Floor
Lewis Wharf
Boston, MA 02110

Mr. Peter Koikos(*)
100 W. Virginia Street
Fifth Floor
Tallahassee, FL 32301

Mr. Lee Barrett(*)
Duke Energy North America
5400 Westheimer Court
Houston, TX 77056-5310

Enron Corporation
Marchris Robinson
1400 Smith Street
Houston, TX 77002-7361

Frederick M. Bryant, Esq.(*)
Florida Municipal Power Agency
2061-2 Delta Way
Tallahassee, FL 32303

Mr. Paul Lewis, Jr.(*)
Florida Power Corporation
106 E. College Avenue, Suite 800
Tallahassee, FL 32301

Mr. Paul Elwing(*)
Lakeland Electric
501 East Lemon Street
Lakeland, FL 33801-5079

Florida Retail Federation(***)
100 E. Jefferson Street
Tallahassee, FL 32301

Mr. Ed Regan(*)
Gainesville Regional Utilities
P. O. Box 147117, Station A136
Gainesville, FL 32614-7117

Douglas John, Esq.(*)
John & Hengerer
1200 17th Street, NW, Suite 600
Washington, DC 20036-3006

Robert S. Wright, Esq.(*)
Jay Lavia, Esq.
Landers & Parson
310 West College Avenue
Tallahassee, FL 32301

Mr. Robert Miller(*)
Kissimmee Utility Authority
1701 W. Carroll Street
Kissimmee, Florida 32746

Ms. Beth Bradley(*)
Mirant Americas Development, Inc.
1155 Perimeter Center West
Atlanta, GA 30338-5416

Melissa Lavinson(*)
PG&E
7500 Old Georgetown Road
Bethesda, MD 20814

Michael Briggs, Esq.(*)
801 Pennsylvania Ave., Suite 620
Washington, DC 20004

Mr. John Attaway(***)
Public Super Markets, Inc.
P. O. Box 32015
Lakeland, FL 33802-2018

Mr. John Giddens(*)
Reedy Creek Improvement District
P. O. Box 10000
Lake Buena Vista, FL 32830

Mr. Timothy Woodbury(*)
Seminole Electric Cooperative
16313 N. Dale Mabry Hwy.
Tampa, FL 33688-2000

Mr. Robert C. Williams(*)
Florida Municipal Power Agency
8553 Commodity Circle
Orlando, FL 32819-9002

Ms. Linda Quick(*)
South Fla. Hospital & Healthcare Asso.
6363 Taft Street
Hollywood, FL 33024

Ms. Angela Llewellyn(*)
Tampa Electric Co./Regulatory Affairs
P. O. Box 111
Tampa, FL 33601-0111

Lee Schmudde, Esq.(*)
Walt Disney World Co.
1375 Lake Buena Vista Drive
Fourth Floor North
Lake Buena Vista, FL 32830

Cynthia Bogorad, Esq.(*)
Spiegel & McDiarmid
1350 New York Avenue, NW, Suite 1
Washington, DC 20005

Russell Kent, Esq.(*)
2282 Killearn Center Boulevard
Tallahassee, FL 32308-3561

Alan Stratman, General Counsel(*)
Trans-Elect, Inc.
1200 G Street, NW
Suite 600
Washington, DC 20005

William T. Miller, Esq.(*)
1140 19th Street, N.W., Suite 700
Washington, DC 20036

Mr. Thomas Washburn(*)
V.P. Transmission Business Unit
OUC
500 South Orange Avenue
Orlando, FL 32802

Bruce May, Esq.(*)
Holland & Knight Law Firm
Bank of America
315 South Calhoun Street
Tallahassee, FL 32302-0810

David Owen, Esq.(*)
Assistant County Attorney
Lee County
P. O. Box 398
Ft. Myers, FL 33902

Thomas J. Maida, Esq./N. Wes Strickland, Esq.(*)
Foley & Lardner Law Firm
106 East College Avenue
Suite 900
Tallahassee, FL 32301

Mr. Bill Walker(*)
Florida Power & Light Company
215 S. Monroe Street, Suite 810
Tallahassee, FL 32301

Mr. Paul Clark(*)
City of Tallahassee
400 East Van Buren Street
Fifth Floor
Tallahassee, FL 32301

Richard A. Zambo, Esq.(*)
598 SW Hidden River Avenue
Palm City, FL 34990

By: _____
Kenneth A. Hoffman, Esq.