



UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

**Before the
ARKANSAS PUBLIC SERVICE COMMISSION**

In the Matter of a Generic Proceeding to Establish Uniform PoQ3 E8id[[o

The APSC staff has proposed SSP Guidelines to implement these provisions of Act 1556. The SSP Guidelines

Another insight from the FTC's Public Workshop was that the magnitude of the shopping credit (or, in this case, the price of the SSP) can have a substantial effect on the degree of customer interest in shopping for an alternative electric power supplier where stranded cost recovery has been authorized.⁽¹⁵⁾ A higher shopping credit prompts more customer search activity and more suppliers offering service. In Pennsylvania, a large portion of customers (and an even larger proportion of loads) have selected alternative suppliers because the shopping credits in major areas of the state are relati

these conditions arise, the APSC may wish to consider restructuring the ownership of existing generation assets through divestiture of the utility's generation assets or other methods.⁽²¹⁾

Alternatively, the APSC may wish to assess the costs and benefits of subcontracting or assigning some SSP load to alternative suppliers so as to lessen the existing market power of incumbent electric utilities.⁽²²⁾ Some states have taken this approach. For example, both Maine and Texas have required that the default or standard service packages offered to customers be subject to competitive bidding among alternative suppliers. Georgia, on the other hand, implemented an assignment procedure to handle the standard service package when it opened its natural gas market to retail competition.⁽²³⁾ Thus, if the APSC determines that market power once it may employ a wide range of options to remedy such market power.

4. The principles are discussed more fully in Section II *infra*.

5. The staff of the FTC has commented to FERC on electric power regulation, for example, in Docket No. RM99-2-000 (regional transmission organizations) (Aug. 16, 1999); Docket EL99-57-000 (Entergy transco proposal) (May 27, 1999); Docket RM98-4-000 (Sept. 11, 1998); Docket No. PL98-5-000 (merger filing guidelines) (May 1, 1998); Docket 423s

17. *Id.* at 33.

18. See Alabama Competition Comment, Section III, *supra* n. 4. Customers that select an alternative supplier will typically be required to pay a charge for generation services, a lines charge, and a stranded cost recovery surcharge in their monthly electricity bill during the stranded cost recovery period. The incentive for the incumbent utility to set artificially low generation or energy charges arises if the stranded cost recovery policy allows the incumbent utility's reductions in energy charges to be offset by higher stranded cost payments. An incumbent utility's artificially low energy charges can exclude more efficient and innovative alternative suppliers because alternative suppliers do not have access to stranded cost recovery revenues that compensate the incumbent utility for the loss of revenue due to artificially low energy charges. Under the terms of this type of stranded cost recovery policy, the incumbent utility can, in effect, cross-subsidize from the stranded cost recovery charges (where there is no competition) to the energy charges (where there is competition).

19. We recognize that another APSC proceeding (Docket No. 00-048-R) is addressing identification of and remedies for market power.

20. SSP Guidelines, Section 5.4. We note that unrefined price comparisons between geographic areas may be

the customer choice program, awareness of alternative providers and services, and experience in selecting an alternative supplier.