



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

**Before the Maine Department of the Attorney General**



Department and the Commission may wish to include discussion of entry conditions with respect to these two specific categories of electricity demand and supply. See *id.* at Section II.C. , Section IV.I., and Section V.

- Recent declines in the minimum efficient scale of generation (combined-cycle, gas-turbine technology) may make the relatively small demand for electricity in Maine, which is a largely rural state, less likely to inhibit new entry, through either new or expanded generation capacity to serve Maine during those periods when it may be a separate load pocket.<sup>(11)</sup> The Department and the Commission may wish to provide some additional perspective on load and minimum efficient scale entry. See *id.* at Section III.A., Section IV.I., and Section V.

## **B. Directly Influencing Entry Conditions**

Taking into account both present facilities and likely future generation and transmission entry, the Department and the Commission may wish to compile parallel lists of 1) the most significant market power concerns, and 2) the transmission and generation projects that would be likely to mitigate each of the market power concerns.

Sophisticated computer simulation models of the transmission grid and generating facilities can help identify the likely effects on pricing and output of specific additions to transmission or generating capacity.<sup>(12)</sup> Using such techniques, the Department and the Commission may be able to identify for the Legislature a small, focused list of transmission or generation projects that could alleviate the most significant market power concerns.

In essence, the Department and the Commission may be able to identify market power concerns that the Commission, working with the New England ISO and FERC, or the Legislature could resolve most efficiently by enhancing the prospects of entry with specific new facilities. For example, if a particular transmission expansion would substantially alleviate market power concerns,<sup>(13)</sup> the Legislature might elect to enhance the likelihood of such entry through legislative or other mechanisms to reduce administrative delays, costs, and uncertainty in obtaining siting permission from the state.<sup>(14)</sup>

We note that Wisconsin's officials have confronted similar questions about the adequacy of transmission capacity serving the state. They have decided recently that market power issues in retail competition and reliability concerns

wish to note that efforts to address the U.K. generation market power problem took considerable time and required





available to themselves as generators within the load pockets that result from transmission congestion. If such is the case, the ISO serving Maine may be able to alleviate the problem by adopting policies for expanding the grid that bypass the beneficiaries of transmission congestion or alter their incentives appropriately. (We note that under the recent electric industry restructuring proposals released by the Department of Energy (DOE), FERC would receive additional authority to address generation market power concerns that a state could not remedy on its own. DOE, Comprehensive Ele

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