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

Before the
Public Service Commission of the State of Mississippi

Docket to Consider Competition in the

Provision of Retail Ele ctric Service

Docket No. 96-UA -389

Sub-docket: Cost -of-Service Study and

Detailed Proposal Regarding a Transco

Comment of the Staff of the Bureau of Economics of the Federal Trade Commission (1)

August 28, 1998

I. Introduction and Summary

The staff of the Bureau of Economics of the Federal Trade Commission (FTC) appreciates this opportunity to present its views concerning the Transco proposal of Entergy Mississippi, Inc. (Entergy) to the Public Service Commission of the State of Mississippi (PSCM).

The FTC is an independent administrative agency responsible for maintaining competition and safeguarding the interests of consumers. The staff of the FTC often analyzes regulatory or legislative proposals that may affect competition or the efficiency of the economy. In the course of this work, as well as in antitrust research, investigation, and litigation, the staff applies established principles and recent developments in economic theory and empirical analysis to competition issues.

The staff of the FTC has a longstanding interest in regulation and competition in energy markets, including proposals to reform regulation of the electric power and natural gas industries. The staff has submitted numerous comments concerning these issues at both the state and federal levels.(2) Moreover, the FTC has reviewed proposed mergers involving electric and gas utility companies.

Entergy proposes to establish a for-profit, independent transmission company affiliate (Transco) that would manage and operate the transmission lines currently owned by Entergy.(3) Entergy would accomplish this by functionally

Entergy presents examples of specific cost savings that it believes it has achieved because of its vertical integration between management and operation of transmission assets.(11) It maintains that these efficiencies would be retained

New Jersey, and Maryland interconnection (PJM). Operation of the grid entails its physical maintenance and improvement. These functions have been retained by the original transmission owners in existing ISOs in the U.S.

4. Functional unbundling of generation assets from transmission assets entails behavioral rules forbidding a vertically integrated utility from discriminating against independent generation sources in granting access to the utility's transmission assets.

5. For example, Entergy claims that because of integrated teams of planning and operations engineers, it has been able to develop solutions to transmission problems that planning engineers alone could not have developed.