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THE ELECTRIC RELIABILITY ACT

1997 Wisconsin Act 204, passed by the legislature and signed by Governor Tommy Thompson to take effect May 1, 1998, is designed to increase the reliability of the state's electricity supply by modifying regulations to permit accelerated construction of new electrical generating plants. It also seeks to improve the capacity of the high-voltage transmission grid that moves bulk electricity.

BACKGROUND

Most of Wisconsin's electricity is produced and distributed by investor-owned companies that operate within exclusive service areas and are regulated by the state Public Service Commission (PSC). The PSC, which is responsible for ensuring that all customers have access to adequate electrical service at a reasonable price, oversees the maintenance and construction of power plants and lines and sets prices designed to produce an allowable rate-of-return for investors.

In 1907, Wisconsin was the first state to regulate all public utilities, and, due in large part to PSC oversight, Wisconsin customers have long benefitted from electricity rates that are lower than their neighboring states and significantly below the national average. However, supply has become a problem in recent years. Residential and commercial customers have been threatened with electrical service cutoffs during periods of peak use, particularly during the hot summer months when air conditioning increases the demand. Potential and actual failures along the state's network of main transmission lines led to enactment of Act 204 (1997 Assembly Bill 940).

During the summer of 1997, maintenance shutdowns at several power plants in and near Wisconsin threatened to cause rolling blackouts in some areas. (A rolling blackout is a series of intentionally caused, temporary outages that move sequentially between geographical areas, rather than imposing a total, lengthy outage in any one locality.) The problem was compounded by near-capacity use and limitations along the main transmission lines that hampered transfer of surplus power from other suppliers. One particular concern was the single transmission line that connects Wisconsin to western states and Canadian provinces, which are the chief sources of plentiful and affordable surplus power. This line overloaded early on the morning of June 11, 1997, and major outages across the Midwest were only narrowly averted.

Although Wisconsin escaped widespread blackouts in 1997, the threat of shortages remains. On April 24, 1998, a boiler leak at the Columbia River plant near Portage forced a shutdown that necessitated temporary service cutoffs for 22 large industrial users served by Madison Gas and Electric Company (MG&E). These users were part of a self-selected group who pay lower rates for volunteering to take occasional power interruptions. After these customers were severed, MG&E negotiated with other state utilities to free up space in the transmis-

sion network so it could contract for additional power from out-of-state and keep power flowing to its remaining customers.

ELECTRIC RELIABILITY ACT PROVISIONS

Increasing Generation Capacity. Act 204 seeks to increase generation capacity within the state by streamlining the approval process for utilities wishing to build new generating plants and by authorizing private "merchant" power plants to operate and sell electricity wholesale to the utility companies. The law also requires utilities in eastern Wisconsin to construct 50 megawatts of new capacity generated from renewable energy sources (wind, water, solar or biomass) by December 31, 2000. The PSC will establish the rules for inspecting, maintaining, and repairing electric generation, transmission and distribution facilities.

Upgrading Transmission Lines. Act 204 requires that by June 30, 2000, public utilities must transfer control of their transmission facilities to either an independent system operator (ISO) or an independent transmission owner (ITO). In the case of the ISO the utility company retains ownership of the transmission lines, but the ISO operates them. The ITO owns and operates the transmission lines. These independent organizations will have statewide or regional authority to operate the transmission systems for the benefit of all. They are required to constantly monitor the flow of electricity and alleviate shortages by reallocating supplies between areas. Generating companies will pay fees for equitable access to the transmission grid and will be assessed prorated costs, based on usage, for maintenance and upgrade of the system.

Studying Transmission Capacity. Act 204 requires the PSC to study and report to the legislature by September 1, 1998, regarding constraints it has identified on the current transmission system and its recommendations to alleviate problems. Based on the results of the study, the PSC may, by December 31, 2004, order the construction of additional transmission line capacity in order to handle the growing burden.

LINKING RELIABILITY AND DEREGULATION

Almost all of the states either have implemented or are considering restructuring and deregulating their electric power utilities as a means of opening the market to competition at the retail level. Customers would be able to choose the company that generates their electricity, considering factors such as price, length and type of contract, and whether some of the electricity is generated from renewable ("green") energy sources. The Wisconsin PSC, which has studied the issue for several years, decided in November 1997 that consumer choice must be delayed until a significant upgrading and reorganization of the transmission grid occurs. Governor Thompson highlighted the need for transmission reliability in his January 21, 1998, State of the State address and recommended the actions reflected in Act 204. By providing for expansion of the transmission system and mandating an independent transmission systems, Act 204 provides a foundation for possible retail price competition in Wisconsin.

FOR MORE INFORMATION

For copies of 1997 Wisconsin Act 204, contact the Legislative Reference Bureau at (608) 266-0342. For further information about the regulation of electric utilities, contact the Public Service Commission at (608) 266-5486.