

Through the combination of open access and stranded cost policies, the Commission intends to provide a smooth transition period that takes the electricity industry from traditional regulation of localized wholesale power transactions to competitive power markets that have a regional, or perhaps national, scope. The Commission does not expect that power markets will become competitive overnight. How rapidly competition evolves will be determined, in part, by the markets themselves. The Commission cannot dictate such progress—it can only accommodate the needed changes. Consequently, the Commission believes that progress toward efficient power trading will not happen all at once and that any environmental consequences of changed trading patterns will occur at a corresponding pace.

The Commission's proposed rule will not unilaterally bring competition to an industry where it otherwise would be absent. Rather, the proposed rule will hasten and rationalize the progress toward competitive power markets already under way. Congress endorsed competition in wholesale power markets in the Energy Policy Act of 1992 (EPAct). To some extent, evolving competition is being accommodated under the Commission's authority to order transmission service under Section 211 of the Federal Power Act as modified by EPAct, and under case-by-case exercise of the Commission's authority under section 205 of the FPA to ensure that rates, terms and conditions of service are not unduly discriminatory. The proposed rule is intended to make this transition in a more consistent and non-discriminatory manner than would be possible under a case-by-case application of our authority under Section 211 or other provisions of the Federal Power Act. In addition, power markets are becoming more competitive through actions of customers desiring cheaper power. These factors must be considered when examining the environmental consequences of the proposed rule.

The proposed rule has the potential to increase the availability, diversity, and competitiveness of power. The potential benefits include:

- Reducing the cost of electricity to consumers by promoting access of buyers and sellers to one another;
- Promoting the efficient use of facilities and resources by electric utilities;
- Avoiding wasteful investments under the current system of regulation of generation; and
- Providing a number of indirect benefits, such as reducing

administrative burdens and costly litigation.

Principal Alternative

The principal alternative to the proposed rule is that of no-action, i.e., case-by-case implementation by the Commission. That is, the Commission could choose not to address generically the issues raised in the proposed rule. Under this alternative, transmission users would seek transmission access under section 211 or through open access tariffs filed under Section 205. The resulting patchwork of transmission service conditions could inhibit the development of regional bulk power markets. And under this alternative, the Commission would consider whether to allow public utilities to recover stranded costs on a case-by-case basis, should they seek such recovery. Compared to a generic rule on stranded cost recovery, this could increase uncertainty for market participants.

Proposed Study and Analytic Issues

The basic approach of the analysis will be to postulate likely market responses to the proposed rule and then to analyze the resulting effects on utility decisionmaking, institutions, and the environment. The results of the analysis will be used to assess the economic and environmental impacts of the proposed rule. The analysis will have a national scope—but with significant regional detail—to assess potential environmental impacts of the proposed rule.

The principal effect of the proposed rule could be to change historical patterns of wholesale electricity trade in the United States. Buyers and sellers of bulk power will have expanded opportunities to trade with market participants that were previously not available because of a lack of transmission access. In the near term, the proposed rule may cause changes in the dispatch and operation of generators. Some regions may experience changes in fuel use. This would have certain economic consequences, as well as certain environmental consequences. In the long term, a different pattern of newly constructed generation plants and transmission lines may emerge as a result of the proposed rule.

The analysis will assess the consequences of the proposed rule in two main areas:

- Socioeconomic impacts.
- Environmental impacts of changes in fuel mix of power generation (coal, oil, gas, nuclear, wind, solar, etc.).

Potentially, the most significant of the impacts will be the level, type, and

location of air emissions. Selected regions will be identified to indicate the types of changes in environmental risks attributable to the proposed rule. The analysis would be designed to assess the environmental impacts of the kinds of fuel mix changes that might result from more open generating markets.

Limits on the Analysis

We do not plan to address site-specific impacts such as cultural resources, noise levels, geology and soils, EMF effects or specific terrestrial or aesthetic resource issues. It is impossible to identify the location of individual powerplants or transmission lines that might be built as a consequence of the proposed rule. Moreover, any site-specific issues associated with siting such facilities will be subject to required environmental reviews by state and local agencies. The siting issues are not within the Commission's jurisdiction and thus are excluded from the analysis. However, if commenters believe that such impacts are identifiable and significant, the Commission requests specific information that would aid in the evaluation of such impacts.

The EIS Scoping Process

NEPA requires the Commission to review and address concerns the public may have about proposals that could result from a major Federal action having a potential for significant impact on the quality of the human environment. The main goal of issuing this "scoping" document is to focus the analysis in the EIS on the important issues, and to separate those issues that are insignificant and do not require detailed study.

The EIS will discuss impacts that could occur as a result of implementing the proposed rule. The Commission requests comments on the environmental impacts that may result from implementing the proposed rule. If commenters believe mitigation is necessary, commenters should recommend specific mitigation to lessen or avoid impacts.

Preparation of the EIS

Our independent analysis of the issues will result in the publication of a Draft EIS which will be mailed to federal, state and local resource agencies, industry, other interested groups and individuals, and the Commission's official service list for these proceedings.

A 45-day comment period will be provided for reviewing the Draft EIS. We will consider all comments on the Draft EIS and revise the document, as