History of FERC

Founding of FPC

In 1920, Congress established the Federal Power Commission (FPC) to coordinate hydroelectric projects under federal control. Under the joint administration of the Secretary of War, Interior, and Agriculture the FPC could only employ an Executive Secretary, while all other personnel was borrowed from these administering executive departments.

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This organization resulted in conflicting mandates, making it difficult to produce a consistent energy policy. Thus, in 1928 Congress voted to give the FPC funds to permanently hire their borrowed staff. Two years later, the Federal Power Act established a five-member, bipartisan commission to run the FPC.

Expansion of the FPC’s mission

With the passage of new acts and court decisions the mission of the FPC continued to expand.

- The Federal Power Act of 1935 and the Natural Gas Act of 1938 gave the FPC the power to regulate the sale and transportation of electricity and natural gas;
- In 1940 amendments to the Natural Gas Act enabled the FPC to certify and regulate Natural Gas facilities;
- 1954 Phillips Petroleum Co. v. Wisconsin decided that the FPC has jurisdiction over facilities producing Natural Gas sold in interstate commerce;
- 1964 City of Colton v. SoCal Edison decided that the FPC also has jurisdiction over intra-state sales of power that has been transmitted across state lines; and
- In 1967, intrastate utilities became jurisdictional if they connected their supply lines to others outside of the state.

As a result of their expanded jurisdiction the FPC and the nation faced an energy crisis. There was a colossal backlog of applications for natural gas permits, while there were chronic brownouts in the 1960s and the OPEC embargo in the

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1970s. This called for reorganization of the FPC.

Reorganization of the FPC

In 1977, Congress reorganized the FPC as FERC and the responsibilities of the Commission continued to expand.

- In 1978 the National Energy Act (NEA) unified intrastate and interstate gas markets;
- To enhance the nation's self sufficiency, FERC worked to develop simpler approval procedures and eliminate direct oversight of utilities;
- FERC implemented Blanket gas certifications; and
- In 1992 the Energy Policies Act gave FERC "wheeling authority." The Act also created a new category of electricity manufacturer; "exempt wholesale producers."

Deregulation

In the late 1970s FERC provided for gradual deregulation.

- 1985 FERC Order 436 required that natural gas pipelines provide open access to transportation services, enabling consumers to negotiate prices directly with producers and contract separately for transportation;
- In 1991 FERC issued A Notice of Proposed Ruled Rulemaking;
- In 1992 FERC issued Order 636 (The Restructuring Rule). This mandated unbundling of sales services from transportation services, providing customers with full choice of providers and opening these markets to competition; and
- FERC Order 637 further addressed inefficiencies in the capacity release market.

Deregulation allows consumers to negotiate the best terms for supply and transportation of natural gas to markets. Due to deregulation of the US gas industry production has increased, proved reserves have decreased, and gas usage is increasing.

FERC Order 888

On April 24, 1996, FERC issued its Order 888, a final rule regarding electric industry restructuring.

Order 888:

- Requires transmission owners who purchase transmission service to offer nondiscriminatory, comparable transmission service to others seeking such services over its own facilities. This often is referred to as the "open access" rule;
- Has a goal to ensure that potential suppliers of electricity have equal access to the market; and
- Encourages the creation of a separate Price Exchange to reveal market-clearing prices for electricity in the new competitive market.

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To reaffirm the determinations and conclusions of Order 888:

- On March 4, 1997, FERC issued Order 888-A, which provided detailed guidelines on implementing the "open access" rule.
- FERC issued Order 889, requiring the posting of available capacity on an electronic bulletin board; Open Access Same-time Information System (OASIS).

Recently, FERC issued Order 2000, fostering participation in regional transmission organizations (RTOs) and Independent System Operators (ISOs), by establishing guidelines that a transmission entity must meet in order to qualify as an RTO. The expectation is that the RTOs will increase efficiency in wholesale energy markets and lower end-prices to consumers. Voluntary RTOs and ISOs were formed in New York, New England, Pennsylvania-New Jersey-Maryland, and the Midwest.

Currently, the Commission is reforming Order No. 888 to ensure that public utilities' open access tariffs reduce barriers to trade and enhance competition.

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