

The following are ELCON's Fundamental Principles, as contained in Article III of ELCON's By-Laws:

### ARTICLE III

#### Fundamental Principles

The following shall be considered the fundamental principles of ELCON members:

1. Market forces generally do a better job than government or regulatory agencies in determining prices for electricity.
2. Laws and regulations that restrict the development of truly open and competitive electricity markets should be rescinded or amended.
3. The full benefits from competition will never fully materialize unless and until there is true and open competition in both wholesale and retail electricity markets.
4. Operation of and access to the transmission system should be non-discriminatory and open to any buyer or seller.
5. Where rate regulation continues to be necessary (e.g., in transmission and distribution), cost of service principles should be the basis for rates, terms and conditions of such service. Charges should be commensurate with benefits, and no class of user should subsidize another class.
6. The transmission system is interstate in nature and should be independently operated. "Balkanization" of the transmission system into smaller markets – with separate rules – rather than larger markets should be discouraged.
7. Legislative and regulatory protections are necessary to protect consumers from the exercise of market power abuse.

Approved October 23, 2003