

ELCON *PRESS RELEASE*

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Statement of John Anderson, President of the Electricity Consumers Resource Council (ELCON), in Response to the Release of the GAO Report on Electricity Restructuring, September 29, 2008

The report of the Government Accountability Office (GAO) on the regional electricity transmission organizations – usually called RTOs and ISOs – is an interesting study because, in a figurative sense, it simply ignored the elephant in the middle of the living room.

The study quotes industry experts and stakeholders. But the GAO analysts either ignored or did not realize that instead of experts and stakeholders, there are producers and consumers with producers extolling the virtues of RTOs and ISOs and a wide range of consumers – the ones paying the bills – finding few if any net benefits in the organized markets.

The report also omits an important point. While seeing a need for empirical analysis of the markets by FERC, it fails to point out that the ISOs and RTOs are creatures of FERC, and thus FERC may not be able to perform the unbiased analysis that is needed.

I believe that if ISOs and RTOs were providing significant consumer benefits, we would not be seeing the constant cries of protest from consumers of all sizes. Under the Federal Power Act FERC is charged with protecting consumers and ensuring the suppliers charge just and reasonable rates. Just last December, over 40 state, regional, and national consumer groups asked FERC to investigate whether RTO and ISO markets were in fact operating consistent with that statutory directive. FERC basically ignored that request.

The fact is that RTOs, ISOs and FERC have ignored consumer complaints about the organization and operation of the RTOs for several years, although the problems in these markets are evident to both large and small consumers of electricity. These problems are not self-correcting and have already cost consumers billions of dollars in increased electricity bills. The GAO Report seems to accept the claims of the organized market operators that everything is just fine. As a consumer representative, that simply is not the case.

And the elephant continues to sit in the middle of the living room. On one side of the elephant we see utilities and power generators making record profits. And on the other side we consumers of all sizes paying record prices. But GAO simply ignored the elephant.

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ELCON, established in 1976, is the national association of large industrial users of electricity from virtually every manufacturing sector. ELCON members seek a reliable supply of electricity at competitive prices and have long supported federal and state efforts to achieve that objective. More information about ELCON is available at ELCON's website, www.elcon.org.