


# Organized Electric Markets: Why Bother?

Scott Miller  
ELCON Workshop  
June 21, 2005  
New Orleans, LA

A decorative graphic at the bottom of the slide consisting of several overlapping, wavy lines in shades of blue, creating a sense of motion and depth.

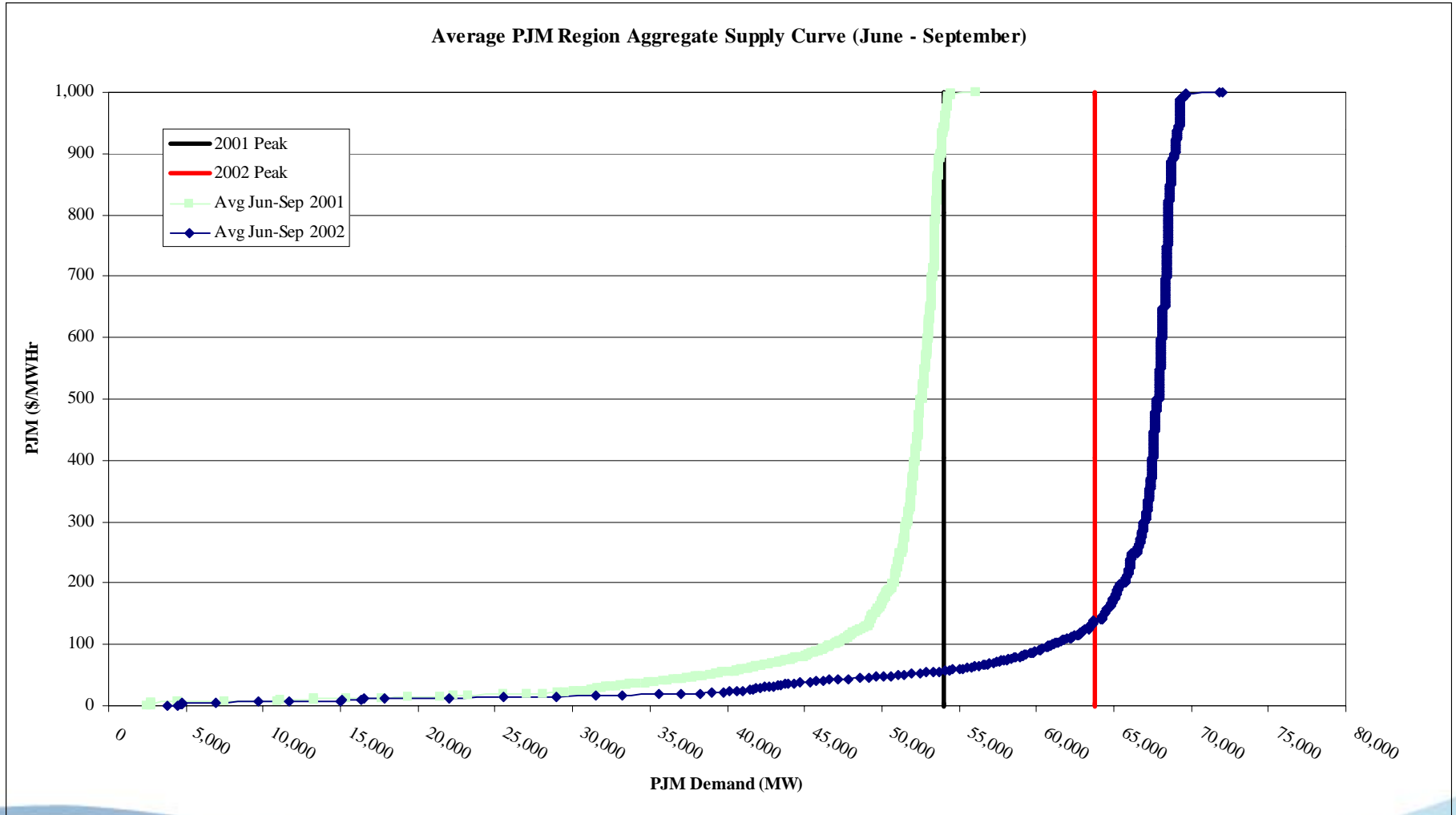
***“If ELCON had its way, there would be no PJM,  
no MISO, no NYISO, no New England ISO, just  
places like California, Bonneville & Southern”  
-PJM Official***

***OK, it was me...***

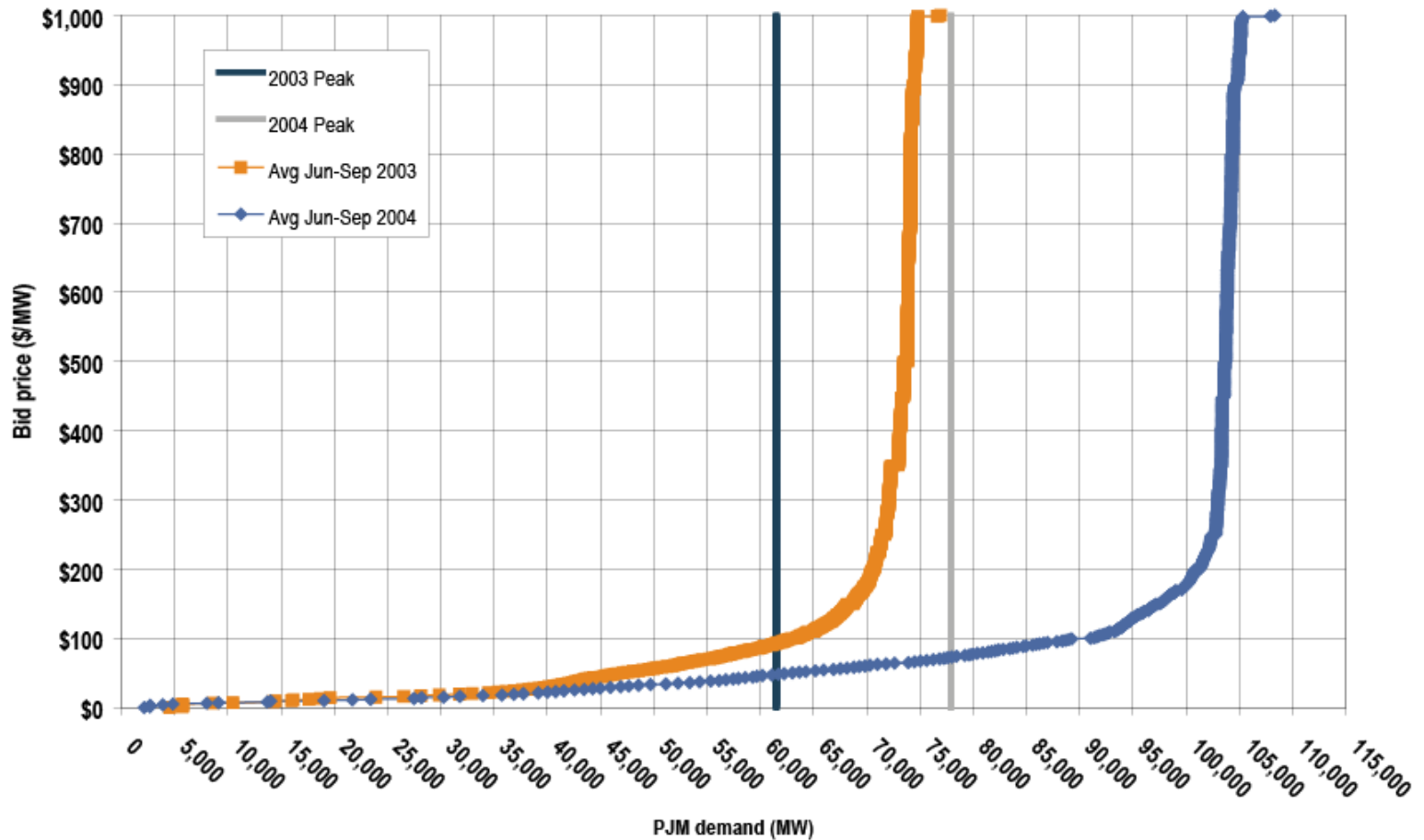
A decorative graphic at the bottom of the slide consisting of several overlapping, wavy lines in shades of blue, creating a sense of motion and depth.

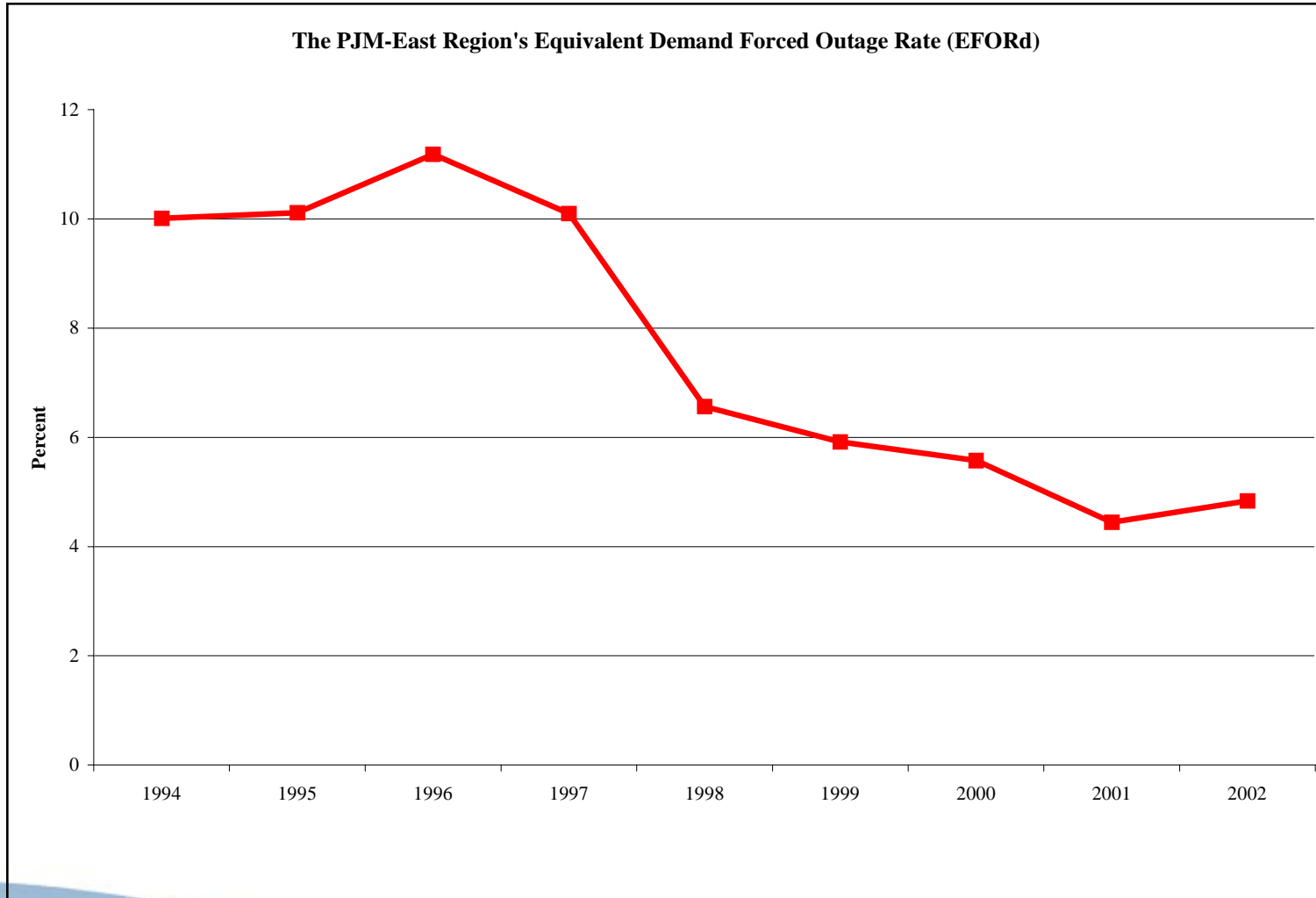
- Prominent ELCON criticisms:
  - Customer Focus in Organized Markets Less than in Vertically Integrated Utilities
  - Market Power Abuse
  - Supplier Control of RTO Process
  - Lack of Demand Response
  - Costs Out of Control
- “Other Than That Mrs. Lincoln, how was the play?”
  - Timing of ELCON criticism seems strange if competitive markets were truly the goal

- Tough to answer the “It’s a Wonderful Life” question: What would life be without PJM/other RTOs?
  - Tried to answer with Synapse Study, criticized by some industrial customers
  - Attempt to recreate energy costs under old rates of three utilities – prices better now
- Consider other studies such as CAEM in which PJM estimated to have provided \$3 billion in benefits to customers



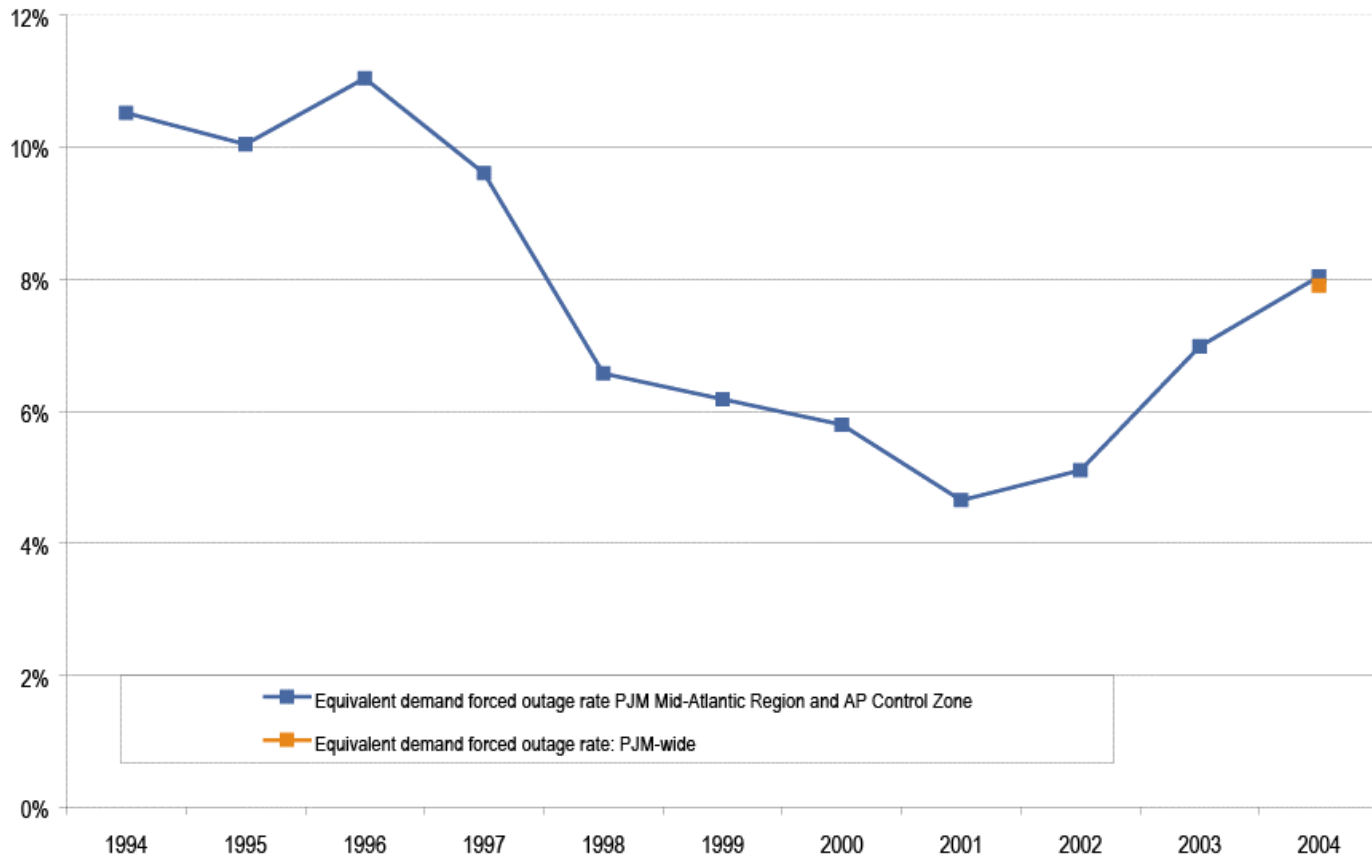
# Average PJM aggregate supply curves: Summers 2003 and 2004



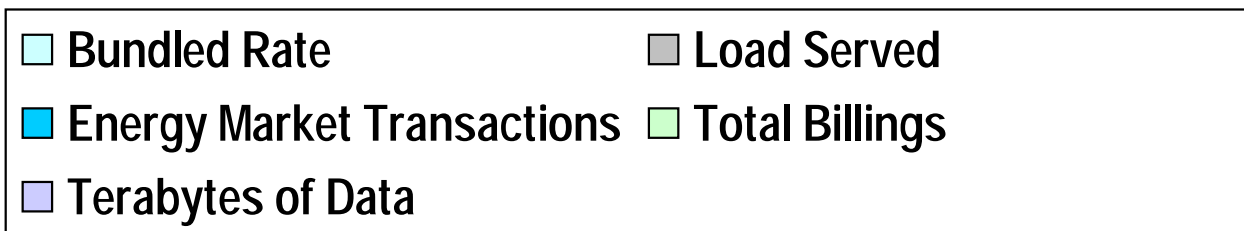
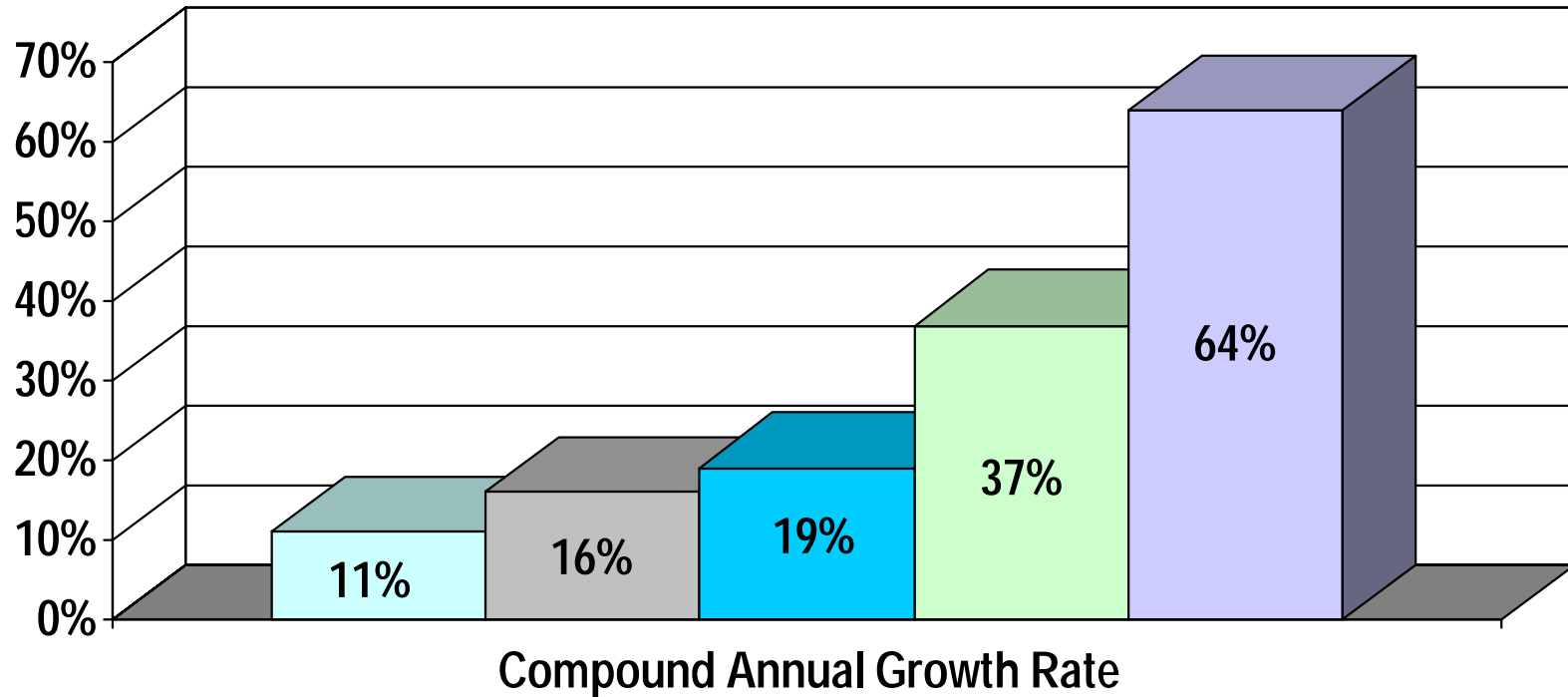




# Trends in PJM equivalent demand forced outage rate (EFORd): Calendar years 1994 to 2004



From 1999 through 2005, load, transactional, billing and data volumes have all increased faster than PJM's costs.



- No benefits:
  - Huh? Fuel adjusted prices drop for last few years according to MMUs in PJM & New England
- Supplier Dominated
  - Anyone seen recent PJM votes (load controls 3 sectors)?
- Rampant Market Power
  - Don't know what to do with this one. Either you believe the independent Market Monitor or you don't
  - Most American consumers believe the gasoline market is rigged as well

- ELCON members want “energy-only” markets – welcome to the club
  - Convince regulators and then we can talk about it – we haven’t seen the buy-in
  - Oh yes, see if Consumer Advocates in favor...
  - We can transition, but only if we can agree on some common elements... Are you up for it?
- But recognize movement to energy-only market will require lifting of bid caps

- Demand Response: Absolutely agree need to make demand more a factor in market discipline
- Need to enhance RTO planning process to build out bulk transmission system
- Need to shrink the spot market in relation to the entire market (deeper liquidity in OTC market)
  - Recognize credit problems are partially at fault here
  - RTOs may provide the solution... no, really.

- Competitive Industry is just completing its first business cycle
  - Mistakes have been made but adjustments need to move forward
- Timing of criticism and forums must be chosen with greater care
  - As Energy Bill was being debated, ELCON criticism seemed to suit “just say no” crowd just fine
  - In league with Southern?

- Resolved: We all believe competition is better than franchised monopolies?
- If so, lets work out our differences to make market better rather than handing enemies of competition easy material
- Don't get p\_\_\_\_\_ off, keep talking to us
  - We'll do the same