



ASSOCIATION MEMBERSHIP: WHY BELONG TO ELCON AND AN INDUSTRY TRADE ASSOCIATION

Prospective ELCON members often ask what benefits come from ELCON membership that they don't already receive from membership in a major industry trade association. In fact, ELCON provides a number of benefits above and beyond those that any industry-specific association can even begin to offer.

ELCON is the national association representing large industrial electricity users. ELCON's purpose is specialized and its efforts are focused solely on electricity issues including cogeneration. Within that framework ELCON works on the issues which its members decide are priorities.

ELCON is different from the manufacturing trade associations in that (1) ELCON represents a wide spectrum of industries which legislators and regulators recognize and appreciate, and (2) due to its specialized focus, ELCON staff can develop a degree of expertise far above that found in ordinary trade associations.

Specific differences between ELCON and manufacturing trade associations follow:

Staff:

ELCON has three full-time professional staff with considerable expertise in public utility economics, market design, ratemaking, regulatory issues and legislative affairs. ELCON staff, as a resource, is available only to member companies, and, in fact, the last survey of member companies listed access to staff as one of the most valuable benefits of ELCON membership. Staffs of manufacturing trade associations have limited electricity expertise and at present no association has a staff person dedicated to electricity issues.

Regulatory Issues:

Over the last several years, ELCON has been active on approximately 20 FERC dockets at any one time. These are on issues of market design, cogeneration and PURP A, reliability, transmission, etc. All of these have the potential to impact the cost and availability of power at manufacturing facilities. ELCON's multi-industry perspective assists in the development of its filings, since it can focus on the major issues without worry as to whether a particular issue or sub-issue benefits one company versus its competitors in that same industry. FERC looks to ELCON as the national voice of the manufacturing community.

ELCON members meet with FERC Commissioners and senior staff on a regular basis, often at their request. FERC has on several occasions sought out ELCON's opinion in the policy development process, for example in the design of the organized markets and on PURPA/cogeneration issues.

In addition, ELCON publishes a (near) monthly Legal Developments Report on the FERC cases of interest to its members. That report is available only to ELCON members.

One ELCON member has stated that there is at least one FERC docket in which his company has a major interest each year. And he believes that the total cost of ELCON membership is less than it would cost his company to intervene individually in that one case.

Legislative Issues:

ELCON's ability to anticipate legislative changes, affect pending legislation, and participate in formal and informal discussions with Members of Congress and staff benefits ELCON members. During the multitude of hearings that preceded the enactment of the Energy Policy Act of 2005, ELCON witnesses testified well over a dozen times. ELCON members also meet with Members of Congress and staff (often at their request) to discuss issues when legislation is pending.

ELCON's legislative lobbyist has been recognized by trade press as a leading participant on electricity issues, while most industry trade associations do not have a lobbyist devoted solely to energy issues, no less electricity issues.

Networking at Meeting and Workshops:

Some ELCON members have stated that a primary benefit of membership is the level of discussion at the near monthly Technical Committee meetings (now often held via teleconference) where issues are debated, priorities set, and subsequent actions determined. Similarly, members value the “Members Only Workshops,” held three times a year, where ELCON members, in a relatively small setting, have the opportunity to discuss issues with prominent and provocative leaders.

Energy managers often find that networking with their peers can be a productive exercise in learning more about market operation and how buyers are reacting to changing electricity markets conditions. Always mindful of anti-trust limitations, ELCON offers the opportunity to network with major electricity purchasers from different industries. Trade association are, of course, comprised of participants from only one industry – in reality comprised of competitors – which limits such networking both legally and practically.

Representation in Various Forums:

There are a host of arenas where participation by industrial electricity users is both helpful and, sometimes, necessary. Prime among these at the moment (and for the past several years) is the development of a national electric reliability organization including the applicability of reliability standards. ELCON was active in the working group that developed the legislative language for the reliability organization, and ELCON staff and members have been active within the North American Electric Reliability Council, or NERC (which is the national electric reliability organization), where they serve on several NERC committees and working groups. This process will now determine if and how the new mandatory reliability standards apply to manufacturing facilities. NERC has recently completed its Compliance Registry – the list of facilities that must comply with the reliability standards (non-compliance can result in significant financial penalties – ELCON successfully fought to ensure that only facilities with the potential to have a “material impact” on grid reliability are included on the Registry).

Similarly there are other forums (NARUC, NAM, etc.) where industrial representation and participation on electricity issues is essential. ELCON has been active in all of these areas.

As a result, ELCON is (not surprisingly) seen by these groups as the representative organization for manufacturers on electricity issues. Membership in ELCON both

provides input into the message delivered and reduces the need for a company to participate on its own.

Research and Analysis:

Because of its narrow focus, ELCON is able, at the direction of its members, to undertake specific research and analysis projects that support the policy objectives set by the members. For example, the first footnote in the task force report on the 2003 blackout cited an ELCON study on the losses to manufacturers. In 2005, the Chairman of FERC saw ELCON's Special Report, "Problems in the Organized Markets," on the day that it was issued. ELCON's Profiles (issued on an ad hoc basis as need arises) are cited by trade press and scholars on a regular basis. No such efforts are undertaken by industry-specific trade associations.

In addition, ELCON distributes numerous "Information Memos" only to its members to ensure that they are kept current on issues of interest. While other associations may distribute similar communications, ELCON memos are more complete and informative because of ELCON's narrow focus and greater staff expertise.

Leadership:

As issues develop it is sometimes unclear as to how a particular proposal will affect different components in the manufacturing community. ELCON has taken a leadership role in a host of coalitions/working groups on competitive markets, transmission funding, cogeneration, and energy use in the manufacturing sector. At present, ELCON chairs the Manufacturers Energy Group (which it helped create), an informal organization comprised of energy staff from the various manufacturing associations. In addition, ELCON staff are frequently called on to brief energy committees from other associations (paper, steel, chemical, cement, etc.). ELCON members take pride knowing that their organization plays this role.

Public Advocacy:

All three of ELCON's professional staff speak on a regular basis to national conferences, state and regional meetings of industrial users, and other public events where the voice of the industrial electricity consumer should be heard. Common themes are the inefficiencies of today's Organized Markets, the benefits of cogeneration, and the need for an effective, cost-efficient, transmission grid, to name a few. These events help "spread the word" about how manufacturers view electricity markets and what manufacturers are seeking as markets move forward.

Much of this advocacy in the past few years has centered on the development – and shortcomings – of the Organized Markets in general and PJM in particular (since it is often held up by utilities and generators as the “success story” for competition). ELCON was asked by PJM to serve on the Planning Committee as PJM undertook a series of conferences designed to increase customer focus.

Bottom Line:

In truth, ELCON and the major industry associations really serve two separate and distinct purposes. Most major companies belong to their primary industry trade association to help develop industry policy and, realistically, to ensure that their competitors (the top two or three companies) don't use the association as a means of pursuing their own company objectives. A major association should and will play a major role on industry-specific issues (for example, the forest products association would be active on water policy and land use, while the steel association would focus on trade policy regarding imported steel). But other associations are limited as to what they can pursue and/or achieve on electricity issues simply because they lack expertise and, moreover, they are not perceived as having a special interest.

ELCON, throughout its over thirty years of existence, has shown itself to have a distinct interest and to be a major voice in one narrow issue area – electricity. Its role is different from the manufacturing associations – ELCON's role is to represent a range of industries on one rather niche issue.

Companies join ELCON for a number of reasons – they want to be educated on the issues in the electricity debate, they want to be a leader and play a role in electric policy development, they support ELCON's policy objectives, or they appreciate the knowledge available by networking with energy managers from other top companies and ELCON staff. Industry-specific trade associations do not play this role on electricity issues, nor are they expected to.

ELCON members vary tremendously in their level of activity and what they seek from the association. One company has been a steady member for over ten years, but no one has ever attended a meeting. They continue their membership to receive the information memos and to support the advocacy efforts. Some companies contact ELCON staff on a regular basis; others rarely call. Some attendees at ELCON meetings are engineers with a technical understanding of how their facilities use electricity; other attendees are less technical with purchasing or issue management backgrounds. Yet they all find value in ELCON membership.

ELCON staff is frequently asked to quantify the benefits of ELCON membership. While such a task is clearly impossible, one ELCON member has stated that if he can save one-tenth of one percent of his company's electricity bill – either through the knowledge he has learned or because of the success of ELCON policies – that one-tenth of one percent is greater than his total contribution to ELCON (dues, off-budget legal fees, and meeting attendance).