

ELCON PRESS RELEASE

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ELCON'S ANDERSON DECRIES LACK OF TRUE COMPETITION

“Beware of unintended consequences,” warned John Anderson, president and chief executive officer of the Electricity Consumers Resource Council (ELCON), in speaking at the Cambridge Energy Research Associates’ Energy Week/Power Day in Houston today.

“ELCON was an early supporter of restructuring and competition in wholesale and retail markets,” explained Anderson. “But what we have now is restructuring without true competition. The claims that the so-called ‘organized markets’ are competitive truly begs belief. There have been practically no benefits for consumers. I believe, and this country’s manufacturers believe, that there is less customer focus in this current market that we had under traditional regulation.”

Anderson noted that “suppliers benefit from the status quo. That makes it very difficult for FERC or other regulatory bodies to implement the market changes necessary to provide benefits for consumers.” The four essential preconditions of competition are Regional Transmission Organizations that are of sufficient size and scope, energy-only markets, adequate demand response markets, and a market power mitigation program, said Anderson. But Anderson asserted that markets are not developing as anticipated. “Simply stated, not ISO or RTO is very efficient. They’ve become expensive disappointments which are hard to justify, especially given the paltry benefits for consumers,” he said.

Similarly, Anderson views FERC’s standard market design as less than successful, noting that it “has degenerated into a hybrid of bid-based regulation with formula rates.” Anderson proposed that “we must return to the ‘first principles’ of a true competitive market and that means an energy-only market structure.” He also called for demand response markets that treat decreases in demand symmetrically with increases in generation. Finally, Anderson chided FERC, stating that “instead of making market power mitigation the first priority in the transition to competition, FERC has made it the last”

As a solution he suggested a market with predominantly long-term contracts – similar to the New Electricity Trading Arrangement in the United Kingdom – a market which he said would be “less conducive to market manipulations.”

Anderson concluded by noting that ELCON members still believe that true competition – when structured “correctly” – is better than regulation. But given the current status of restructuring – which he said was “fraught with problems” – he questioned whether market-based rates can truly be deemed just and reasonable.

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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.