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“Too many of today’s ‘Organized Markets’ are simply out of control,” says ELCON president John Anderson. “They are implementing very expensive regulatory programs that provide large subsidies to generators over the strenuous objections of consumers and other stakeholders.”

As an example, Anderson said that: “PJM is filing by the end of this month a proposal to implement its Reliability Pricing Model (RPM), even though it was soundly defeated at the PJM Members meeting in March and in other forums prior to that. Now PJM staff have announced that, in defiance of their own members, they will file with FERC the RPM plan, which will cost consumers billions of dollars, provide subsidies to all generators whether they need them or not, and not guarantee any new generation.”

Anderson continued, “The New York ISO has already implemented a similar program, called LICAP, over the strenuous objections of consumers and other stakeholders. The New England ISO was also in the process of implementing a different version of LICAP until the objections from consumer advocates, governors, attorneys general, Members of Congress and others convinced FERC that the best course of action was to slow down. In this case, FERC yielded to the very strong political pressure and delayed implementation of LICAP until no earlier than October 1, 2006.”

PJM, NYISO and ISO-NE assert that blanket payments to all generators are necessary to ensure sufficient supply. But, Anderson said, “They are simply abrogating their faith in competitive markets and reinstating mandatory command and control regulation.” Further, assertions for the need for the subsidies are far from substantiated. As a specific example, Anderson said “The planners in MISO are offering a resource adequacy plan for consideration by its stakeholders that does not contain any capacity payment. MISO doesn’t see any need to implement such payments.”

FERC frequently begins its orders by stating that its action will benefit consumers. The Demand Curve, LICAP and RPM are all strongly opposed by consumers who see tremendous costs but no benefits. Anderson concluded that “It will be informative to see what FERC says if it approves either LICAP in ISO-NE or RPM in PJM.”

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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.