

ELCON *PRESS* RELEASE

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ANDERSON TELLS AUSSIES: COMPETITION NOT DEAD, MERELY DELAYED

“If it is broke, shouldn’t we fix it?” asked John Anderson today in addressing the Australian Energy User Conference in Brisbane, Australia.

Anderson was invited to speak at the Australian conference to give the perspective of American industrial electricity users on electricity markets in the United States. Anderson’s address was entitled “Where is U.S. Electricity Policy Headed?”

Anderson’s premise was that the traditional regulatory structure that historically existed for electricity markets in the United States was flawed. Customers were held captive to utilities that had a very wide range of rates. “To some degree, the ability of an American manufacturing facility to be competitive in international markets depended on the luck of the draw – where the facility was located and which utility provided power,” he said. “And, most importantly, utilities had no incentive to lower their rates or to seek lower cost power where it was available.”

Beginning in the mid-1980s, he said, ELCON members saw the benefits of large, seamless, non-discriminatory markets with standard rules for all consumers. “We believed – in fact we still believe – that ‘real’ competition would bring lower prices, technological innovation, new products and services, a customer focus and the control of risk.”

But, as Anderson explained to his Australian audience, retail competition in the U.S. must proceed on a state-by-state basis. About half of the states, he said, undertook efforts to “restructure,” but with mostly disappointing results. “The market collapse in California, at least in part due to the gaming potential inherent in the California plan, fed the assertion that competition could not work. The demise of Enron, which was really an accounting scandal, was also perceived as demonstrating the shortcomings of competition.”

Anderson outlined how competition has worked in several states, notably California, Pennsylvania, Ohio, and Texas. He praised some features of the plan in Ohio – most importantly the ability to aggregate – and he noted that the Texas plan saved consumers over \$1.5 million in 2002. But, by and large, he said “states have been scared away from competition, either because of failures elsewhere or because of opposition from incumbent utilities and turf-conscious regulators.”

Nevertheless, Anderson remained optimistic for the long term. “Over 52,000 MW of load has switched suppliers. And most importantly, the need for competitively-priced electricity is as great as ever, particularly for manufacturers facing global competition. Competition is better than regulation when structured ‘correctly.’ We have learned what NOT to do. Unfortunately, we are still learning what we should do. It takes a long time to change a large industry. But that industry is broken. And it will be fixed.”

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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. A copy of Anderson’s presentation is available at www.elcon.org.