

ELCON PRESS RELEASE

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ELCON CONTINUES TO ADVOCATE COMPETITION – BUT SEES RE-REGULATION INSTEAD

“Let me put this simply,” said John Anderson, president of the Electricity Consumers Resource Council (ELCON) before the Electricity Energy Market Competition Task Force meeting at FERC. “ELCON members favor ‘real’ competition over traditional regulation. They favor open markets over closed markets. And since the companies that comprise ELCON membership compete in open markets every day, they understand what is necessary to constitute competition. And they don’t see that when they are buying electricity.

“Even – and I might say especially – the so-called Organized Markets simply fail to meet the criteria necessary for competition. What we are seeing is not a movement toward competition and open markets, but a movement back to regulation, though regulation of a different type.”

Anderson asked the Task Force to look at electricity markets from the consumer’s perspective. “There is something very wrong with today’s situation,” he asserted, “where suppliers spend tons of money trying to ‘verify’ consumer benefits that real consumers say do not exist.”

Anderson laid out six preconditions necessary to achieve competition markets: (1) Fix the RTOs; (2) Create energy-only markets; (3) Establish demand response; (4) Mitigate market power; (5) Ensure adequate transmission; and (6) Mend the schism between state and federal regulators.

Anderson noted that today “electricity consumers under restructuring are offered prices set by LMP [Locational Marginal Pricing] plus capacity payments that do not incent new generation. One form of regulation has simply been replaced with a new form of regulation,” he stated, noting that is one reason that pro-competition consumers are not satisfied.

Anderson listed the reasons for consumers’ dissatisfaction. “Generators do not compete with consumers, units on the margins set the price without any demand response capability to counteract the generators, regulators keep adding addition revenue streams, such as capacity markets to compensate generators, and there is a clear lack of liquidity in the forward market.

“Competition can bring lower prices and innovative services. ELCON still advocates competition,” Anderson emphasized, “and we’ll know it when we see it.”

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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.