

ELCON PRESS RELEASE

FOR RELEASE: June 27, 2006

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ELCON ASKS “WHERE’S THE BEEF?” – INDUSTRIAL USERS DON’T SEE ANY COMPETITION

ELCON and several national, state and regional industrial electricity user groups submitted comments to the interagency Electric Energy Market Competition Task Force on its Draft Report this week, generally concurring with the Task Force’s observations, but asking that the Task Force go one step further in its final report and “arrive at a conclusion regarding whether real competition in either wholesale or retail markets exists at this time anywhere in the US.”

ELCON President John Anderson elaborated, asking, “Where’s the beef? The Task Force did a good job of observation, but unfortunately they didn’t answer the basic question. Utilities, generators, and market operators – but not consumers – all assert that there is competition that is saving customers money. We customers just don’t see it. I hope the Task Force will take the next step and answer that question.”

ELCON’s comments noted that “the Draft Report clearly warns that the intended results of competition are not evident.” Consistent with earlier comments, ELCON noted that long-term contracts sought by many industrial buyers were unavailable, citing “the Task Force’s research shows that contracts of less than one year dominated each of the three regional markets they examined...A market that cannot provide long-term contracts is not customer focused. Customers need the ability to budget and plan on a multi-year basis.”

ELCON’s filing also observed that “the Draft Report does not address the role that FERC’s substantial and frequent approval of market-based rate (MBR) authority has played in the electric industry restructuring effort.” ELCON asserted that FERC’s “unabated approval of requests for MBR authority” is “a major contributing factor to the growing mismatch between the expectations anticipated from electric industry restructuring and the actual outcomes.”

ELCON went on to say that “any grant of MBR authority must be conditioned on the existence of a competitive market and a finding that the applicant lacks, or has adequately mitigated, market power.” ELCON members believe that FERC has not tested the end result and has ignored the “public outcry that workable competition is simply not there.” The result is “placing the public interest in great and immediate peril.”

Accordingly, ELCON stated that “The Draft Report should ...question whether FERC’s process for approving MBR authority is capable of determining if market-based rates or any renewal of such rates is compatible with the Federal Power Act’s just and reasonable requirement.”

Anderson’s concluded that “the Draft Report presents compelling evidence that attempts to stimulate either wholesale or retail competition in electricity have failed. We still believe that true competition can provide benefits to consumers in terms of lower prices and innovative products. At an absolute minimum, the Task Force should state in its Final Report that to be competitive, electricity markets must be double-sided, the ability to exercise market power must be mitigated, there must be adequate market monitoring to protect the interests of consumers, and transmission congestion must be greatly reduced if not eliminated.”

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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, including a copy of this filing, is available at ELCON’s website, www.elcon.org.

