

ELCON PRESS RELEASE

FOR RELEASE: November 17, 2005

CONTACT: Marc Yacker 202-682-1390

Statement of John Anderson, President of the Electricity Consumers Resource Council
(ELCON), in Response to FERC's Proposed Transmission Pricing Reforms,
November 17, 2005

Although we have only seen the press release, not the proposed rule, FERC is to be commended for its recent proposal on transmission pricing reforms. Industrial consumers agree that underinvestment in transmission is a national problem – in fact, high electricity costs due to transmission congestion can be a contributing factor when American manufacturers determine which facilities will continue to operate and which ones will be closed or downsized.

That is why we are especially pleased that FERC, in the opening paragraph of its press release, noted that “the proposed rules will benefit energy customers by bolstering power-grid reliability and lowering costs for delivered power by reducing transmission congestion.”

That is entirely consistent with Section 1241 of the recently enacted Energy Policy Act. It stated that one result of the Commission's transmission rule should be rates “benefitting consumers by ensuring reliability and reducing the cost of delivered power by reducing transmission congestion.”

One fear that consumers have had was that a blanket rule granting higher rates of return for new transmission would result in new transmission where it wasn't needed and upgraded transmission where it wasn't necessary – all of which would have resulted in higher costs borne by consumers. The Commission has adequately addressed that concern by stipulating that any new transmission qualifying for an incentive rate must improve regional reliability and reduce congestion. We believe that the law also says it should reduce costs.

We all know where the problems are. There have been numerous studies identifying points of congestion, and in regions employing Locational Marginal Pricing (LMP) those congested areas are made very clear on a daily basis (though LMP doesn't alleviate the problem – it just identifies what was already well known).

We need to improve our electricity grid and I congratulate FERC for taking an important step to accomplish that objective.

#####

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.