

ELCON PRESS RELEASE

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ANDERSON SEES COMMON GROUND WITH PUBLIC POWER

John Anderson, president of the Electricity Consumers Resource Council (ELCON), today told representatives from the Northern California Power Agency (NCPA) that “public power and industrial consumers have a lot in common.”

“We share many of the same objectives and perspectives,” said Anderson. “I read the report that the American Public Power Association put out earlier this year. Their comments about the inadequacy of today’s markets were right on target. APPA and ELCON both seek truly competitive wholesale electricity markets. And we both know that what is happening in the so-called Organized Markets today is not competition as we know it or as we envisioned it.”

Anderson referenced a recent Special Report, “Problems in the Organized Markets,” published by ELCON earlier this month which details why industrial electricity customers do not believe that wholesale power markets are developing as they should be.

According to that Report, “the Organized Markets that are currently operated by FERC-approved ISOs and RTOs are increasingly diverging from the fundamentals of a true competitive market.” Anderson cited statistics in the report documenting that transaction volumes in the spot markets were growing, with little or no increase in forward market activity.

Anderson noted that the report cited six preconditions for competitive wholesale markets. These are (1) RTOs (and ISOs) that ensure an open and nondiscriminatory transmission grid and that balance demand with supply; (2) having energy-only markets and eliminating other unnecessary revenue streams (e.g., capacity markets); (3) an active demand response market and symmetrical treatment of increased generation and decreased consumption; (4) ensuring a strong market monitoring function and a mitigation of market power; (5) providing the proper mechanisms and incentives for increased transmission where necessary, recognizing that some current tools, such as locational marginal pricing (LMP) actually provide disincentives to building transmission; and (6) repairing the current jurisdictional impasse between state and federal regulators which hurts not only the development of electricity markets but the economy as a whole.

“These preconditions are not being met,” he said. “Public power and private industry need to raise their voices and let policy makers know that we seek competition, but we do not see competition. We need to work together.”

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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.