

ELCON PRESS RELEASE

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Statement of John Anderson, President of the Electricity Consumers Resource Council, in Response to FERC's Postponing Implementation of LICAP in New England

FERC has taken a decisively pro-consumer step in delaying any action on the New England ISO's proposal to begin implementation of the Locational Installed Capacity mechanism.

Although the intent of LICAP is to provide an incentive for generation, in reality it provides a windfall revenue stream for all existing generators. And the kicker is that it doesn't guarantee that any new generation will ever be built.

We are seeing LICAP proposals in several of the so-called Organized Markets. ISO and RTO administrators claim that it is a market-oriented approach designed to make their markets more competitive. Electricity purchasers are finding that, in reality, it is just another regulation that provides more money to all generators. And that money comes from the pockets of large and small consumers. LICAP is, in fact, a step away from real competition.

In our Special Report, "Problems in the Organized Markets," we called for an "energy-only" market because it is only energy that consumers are buying. The price of delivered electricity should be the cornerstone of any competitive market. Guaranteed payments for anything other than energy is a form of re-regulation. Consumers should not be forced to pay additional sums to every generator with an up-and-running facility.

This is contradicts what we envisioned when we called for competitive markets and industry restructuring.

This is not just an issue for "big" consumers. Consumer advocates throughout New England opposed the ISO's LICAP proposal because they recognized that it would raise prices without any recognizable benefits. Now FERC has – at least temporarily – agreed with that assertion.

Simply put, this is very good news for consumers, and FERC should be commended.

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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.