



COMPETE

Electricity Competition **IS** the Public Interest

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www.competecoalition.com

What is COMPETE?

The COMPETE coalition represents over 350 electricity stakeholders, including customers, suppliers, generators, transmission owners, trade associations and economic development corporations – all of whom support well-structured competitive electricity markets for the benefit of consumers.

Competition brings choice and innovation to consumers. With passage of the Energy Policy Act of 1992, Congress sought to bring the American tradition of competition to the most basic of public commodities – electricity. **Properly structured competitive markets...**

...**benefit consumers.** Competition offers greater efficiency in the use of generation and transmission resources and enhanced reliability through greater regional coordination and planning. Robust competition offers consumers the lowest available costs. Consumers also benefit from the shift in risk for new generation investment from ratepayers to investors.

... **benefit society and the environment.** Competitive electricity markets encourage investment in new, cleaner technologies that offer greater efficiency and reduce the emission of air pollutants, as well as provide the most efficient mix of energy resources. They also provide time and location price signals that can be used to value conservation and demand response investment that save energy resources.

... **benefit the economy.** Fully-realized regional electricity markets support economic growth by putting downward pressure on prices and making better use of the existing transmission grid while encouraging the development of new and efficient infrastructure. This assures adequate supplies in regions with low-cost power and encourages the development of appropriate infrastructure to increase supplies for higher-cost areas.

Well-functioning, competitive electricity markets also provide state governments the opportunity to implement whatever retail electric service options they choose, including retail choice, competitive procurement auctions or traditional bundled service.

COMPETE believes electricity policy should reflect the public interest. The continued evolution of competitive markets brings with it the promise of still greater technological innovation, improvements and consumer savings. Electricity competition IS the public interest.

For More Information:

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The COMPETE coalition represents over 350 electricity stakeholders, employing over 7 million American workers, including customers, suppliers, generators, transmission owners, trade associations and economic development corporations – all of whom support well-structured competitive electricity markets for the benefit of consumers.

Membership List

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ABB Inc.
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Crescent Real Estate Equities
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ePsolutions
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Excellence Dynamics LLC
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Fellon-McCord & Associates
Four Our Eyes Only
Freescale
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Future Home Improvements
GABCGroup
Gamesa Energy USA
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Kirby Electric, Inc.
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Live Energy Inc.
Lodestar Corporation
Lowe's Home Centers, Inc. /
Lowe's HIW, Inc.
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Lumen Group, Inc.
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Numax Energy Consultants
Obsidian LLC
OfficeMax
Olbrych Realty Inc.
OurEnergy
Pacific Technical Resources, Inc.
PAETEC Energy
Papa John's International
Patriot Energy
PCM, Inc.
PETCO
Petrochem Insulation, Inc.
PetSmart, Inc.
Planet Forward, LLC

Polo Ralph Lauren Corp.
Polytop Corp.
PowerGrid Systems, Inc.
Powerhouse By Solaris
Power Management Company
Power Management Company New
England, LLC
Power Brokers, LP
PPL Corporation
Prenova, Inc.
Priority Power Management
ProActive Energy Concepts
Public Energy Solutions
Public Service Enterprise Group
PwrCast Inc.
QuikTrip Corporation
R & L Development Company
Ra-Energy
RadioShack Corporation
Rapid Power Management
re-Source Innovations
Realgy, LLC
Recurrent Energy
Recycled Energy Development
Red Arrow Wind Energy
Red Robin Gourmet Burgers
Reecie-Ruth Dev. Int.
Rehabit, LLP
Renewable Energy Development LLC
RES Americas (Renewable Energy
Systems)
Retail Energy Supply Association
Retail Industry Leaders Association
Rhode Island Resource Recovery
Corporation
Rich Hessler Solar Sales Training
RRI Energy, Inc.
Safeway Inc.
St. George's School
Saporito Energy Consultants, Inc.
Satori Energy
SaveOnEnergy.com
SCD Energy Solutions
School Project for Utility Rate
Reduction
Scott Specialty Gases
SEM, LP (Solutions for Energy
Management)
Sempra Energy
Seven-Utility Management
Consultants, Ltd.
Shell Trading Gas and Power
Company

Shoe Carnival, Inc.
Sierra Energy Group
The Sign Center
Silicon Valley Leadership Group
Site Controls, Inc.
SMC Business Councils
Smith Land Group / Laurel Self
Storage
Solarpowergetics, Inc.
Spark Energy
Staffing One, Inc.
Staples Inc.
StarTex Power
Stone & Webster Management
Consultants
Strategic Energy Advisors, Inc.
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System Source Inc.
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Tangent Energy Solutions
Target Corporation
Telga Corporation
Tetra Tech
TES Energy Services, L.P.
Texas Competitive Power Advocates
Texas Electric Professionals
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Texas Energy Options, Inc.
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Thomas Dodge Builders
Thorco, Inc.
TJX Companies
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Tradition Energy
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TXU Energy
Universal Systems of America, Inc.
U.S. Gas & Electric, Inc.
US-NRG
Usource
Viridity Energy
Wal-Mart Stores, Inc.

Warwick Public Schools
Wawa, Inc.
Wendy's / Arby's Group
Western Power Trading Forum
Western Retail Energy
Westshare Services, Inc.
Wind Energy Corporation
WindPole
World Energy
Yuasa Battery, Inc.



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What Experts Say About Competitive Electricity Markets

Environment/Consumer Groups

"...[P]roperly structured regional wholesale electricity markets with independent regional transmission operators can provide net benefits to customers and promote critical national goals related to fuel diversity, energy security, and environmental protection. Well-structured regional wholesale electricity markets operated independently allow far greater amounts of renewable energy and demand response resources to be integrated into the nation's electric grid..." - Letter to FERC Chairman Kelliher from the **American Wind Energy Association, Natural Resources Defense Council**, and others.

"Pennsylvania restructuring has led to a boom in clean energy development that has brought billions of dollars of new investment and thousands of new jobs. New generation companies have entered Pennsylvania. Projects that were previously impossible or very difficult when utilities had a monopoly are now operating. More and cleaner generation is benefiting both consumers and the environment." – **Citizens for Pennsylvania's Future**

Customers

"We're learning more ways to deliver efficiency savings to customers and shareholders. We're striving to use 100 percent renewable power by looking at every possible project, biomass, wind, hydro, because the flexibility of competitive markets provides greater benefits from these sources." - **Angela Beehler, Senior Director of Energy Regulation and Legislation for Wal-Mart Stores, Inc**

"7-Eleven, Inc (SEI) has actively participated in all U.S. deregulated states and Canadian provinces in which it operates since 1996. SEI continues to realize utility cost savings and cost avoidances by participating in competitive electricity markets. Informed energy decisions in deregulated markets help mitigate SEI costs and help drive the implementation of more energy effective store equipment. Through deregulation SEI more narrowly defines the energy requirements for the SEI business model. Energy deregulation works for SEI." - **Mark Morgan, Corporate Engineer, 7-Eleven, Inc.**

Financial Experts

"Governments today...are rediscovering the benefits of competition and the resilience to economic shocks that it fosters...The impressive performance of the U.S. economy over the past couple of decades, despite shocks that in the past would have surely produced marked economic contraction, offers the clearest evidence of the benefits of increased market flexibility...Flexibility is most readily achieved by fostering an environment of maximum competition." - **Alan Greenspan**, "Economic Flexibility," Before the National

Italian American Foundation, Washington, D.C. (October 12, 2005)

“The savings from competition are real dollars in the pockets of consumers, and those savings will continue after fuel prices retreat from their current high levels. In addition, there have been multiple new entrants and large gains in generator performance with competition. One estimate found that performance improvements from divested power plants produced enough additional energy to power more than 25 million households in the Eastern interconnect for a year. Customers are beginning to gain access to more tailored products and services. Credible price signals provide opportunities to develop a robust demand response that both has a significant price dampening effect and relieves the stresses and strains on the delivery systems. And, restructuring and competition have brought significant environmental benefits, with reduced emissions resulting from increased operating efficiencies, improved regional dispatch of generating resources, and the use of market signals to stimulate increased investment in transmission, emission control technology, highly fuel-efficient new generation and renewables. ... We urge policymakers to focus on making necessary improvements in market design and resist the temptation to reject competition for a return to heavy-handed regulation. We are persuaded that competition in electricity markets will stand the test of time and continue to provide visible customer benefits.” - **Paul L. Joskow, Professor of Economics and Director of the Center for Energy and Environmental Policy Research - Massachusetts Institute of Technology; Alfred E. Kahn, Robert Julius Thorne Professor of Political Economy, Emeritus - Cornell University; William W. Hogan, Raymond Plank Professor of Global Energy Policy, John F. Kennedy School of Government - Harvard University; Peter Cramton, Professor of Economics – University of Maryland; Howard J. Axelrod, President - Energy Strategies, Inc.; Vernon L. Smith, President - International Foundation for Research in Experimental Economics; David W. DeRamus, Ph.D., Partner - Bates White, LLC; Gary L. Hunt, President - Global Energy Advisors** (June 2007)

Fed Chairman Bernanke has commented that in the short-run, prices for natural gas and crude oil are likely to remain high given strong world economic growth and limited ability to increase energy supplies. He has expressed great confidence, however, in the power of market forces stating that “in the long run, market forces will respond” with new “energy-saving technologies,” alternative fuels and “growth in energy supplies.” – **Federal Reserve Board Chairman Benjamin Bernanke**, Remarks before the Economic Club of Chicago, Chicago, Ill. (June 15, 2006).

“...Nevertheless, the introduction of competition into generation resulted in greater efficiencies, lower heat rates, greater reliability, lower non-fuel operating costs, and in general, more widely adopted best practices. Consider how nuclear power plant operations have dramatically improved in competition's short tenure. Would a reversion to regulation preserve these gains? Absent the pressure of competition, it is hard to believe so, given cost-of-service regulation's history.” – **Peter Rigby, Standard and Poor's** (April 2007)

Energy Experts

“New choices, products, and services are on the horizon. Innovation occurs faster in competitive environments, because consumers will demand it. Continuing to develop competitive electricity markets will encourage investment in electricity infrastructure – transmission, power plants and renewable sources – to improve delivery and reliability. We can't put vertically integrated systems back in place. Competitive markets will

continue to evolve, there's no turning the clock back." - **Honorable Philip D. Moeller, Commissioner at the Federal Energy Regulatory Commission** (June 2007)

"The question before us is not whether competition is the right policy; that's been asked and answered three times in the past 25 years. It's really how do we make competition work."
- **Joseph T. Kelliher, Chairman of the Federal Energy Regulatory Commission** (FERC)

"Federal policy related to open and competitive markets for electric power is a matter of our nation's security and economic welfare. The pressures of the global energy economy and the need to protect the environment require that state and federal policymakers work aggressively to reinvent how the business of producing and delivering power is regulated in the 21st Century." – **Former FERC Commissioners Vicky A. Bailey, Linda Breathitt, Nora Mead Brownell, James J. Hoecker, Jerry J. Langdon, William L. Massey, Elizabeth Anne Moler, Donald F. Santa, Pat Wood, III** (May 2007)

The U.S. Department of Energy determined that wholesale markets saved consumers an estimated \$13 billion annually. "On average, wholesale power transactions reduced generation costs, in the aggregate, by approximately \$370,000 per hour in the East and by more than \$1,000,000 per hour in the West. These savings translate directly to lower prices for consumers." - **U.S. Department of Energy National Transmission Grid Study**, (May 2002)

"Electric restructuring in New York has saved consumers between \$100 million and \$200 million annually, according to a "cost-benefit analysis" that the New York Independent System Operator commissioned from an outside firm. The benefits are largely due to improved operation at power plants, since the independent generators that own most of the state's plants have a profit incentive to run them well, with fewer outages, according to the Analysis Group of Boston." - **Electric Power Daily/McGraw Hill** (March 26, 2007)



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Frequently Asked Questions

Q. What is the difference between deregulated, restructured and competitive electricity markets?

A. All three terms are frequently incorrectly used to describe the state of today's electricity markets. Deregulation is a misnomer. Electricity markets have not been deregulated anywhere. Instead, electricity markets have been restructured to introduce as much competition as possible among generators while maintaining strict regulation over the transmission and distribution wires business. At the wholesale level, the Federal Energy Regulatory Commission (FERC) monitors generators and marketers that charge market based rates to ensure that they do not have market power and requires non-discriminatory access to the transmission grid. In states that have restructured their retail service, the local public service commissions still regulate distribution wires and have structured programs for competitive electricity suppliers. Some state programs require service at regulated rates from incumbent utilities for customers that choose not to shop around. Thus, the term "restructured electricity markets" most closely describes the existing state of electricity markets because the structure has changed but strict government regulation still exists over certain parts of the industry.

Q. What's the difference between an ISO and an RTO?

A. An RTO is a regional transmission organization and an ISO is an independent system operator. Both are entities formed to operate and manage the interstate electricity grid independently from market participants. An RTO is larger in geographic scope than an ISO and performs more functions. The Federal Energy Regulatory Commission established criteria for RTOs, which include independence from market participants, regional scope, and the establishment of an independent market monitor. RTOs are expected to: independently oversee reservations and use of the transmission system; balance supply and demand on the grid; operate energy markets, including a market-based congestion system; ensure the provision of ancillary services; and provide market monitoring oversight. The important point of both ISOs and RTOs is that they are not affiliated with any market participants and thus provide the fair access to grid services needed for a level playing field.

COMPETE FAQs continued...

Q. Have electricity prices increased more in restructured states?

A. No. Price increases have in no way been limited to restructured states. Since 1999, when restructuring was beginning, electricity prices have generally increased the same (34%) across states with organized markets and across those without such markets. For instance, five states that elected to stay with traditional monopoly regulation (Nevada, Florida, Mississippi, Louisiana, and Oklahoma) have experienced price increases ranging from 39% to 62% during this same period of time [*from U.S. Energy Information Administration data*].

Q. Is electricity a “value” in terms of what you get for your dollar?

A. When you look at a typical residential electricity bill it’s about \$115 per month, or a little less than \$4.00 a day. Four dollars equals: a fast food lunch, a box of cereal, 1/3 gallons of gasoline, a bottle of nail polish at the drug store, half a movie ticket. Four dollars of electricity a day provides all of the following: a short shower, a pot of coffee, cooking, cooling your home, drying your hair, ironing a shirt, using the fridge, using the computer, watching TV, using the microwave, running the lights. And electricity’s share of the average household budget has remained about the same over the last ten years (2.8% of budget in 2006 vs. 2.3% in 1997). In fact, Americans spend twice as much of their household budget (5.6%) for recreation as they do for electricity. When you think about it, electricity is actually a great value. [*average daily electricity cost from Baltimore Gas and Electric Company data 2006*].

Q. Do residential consumers pay more in restructured markets?

A. Many of the states that adopted restructuring were relatively high rate states before restructuring was implemented. The important point is that competition can result in savings at the residential level. In New York, a restructured state, the average resident’s electricity costs fell 16% between 1996 and 2004 [*“Staff Report on the State of Competitive Energy Markets,” New York State Department of Public Service, March 2, 2006*]. This savings can largely be attributed to the fact that competitive pressures spawned greater efficiency, more innovation and cost discipline. Savings also came from the fact that competitive markets shift the cost of overbuilt capacity from customers to investors [*“Beyond the Crossroads, The Future Direction of Power Industry Restructuring,” Cambridge Energy Research Associates Special Report, October 2005*].

Q. Weren’t the “good old days” of monopoly regulation better for consumers?

A. No. They were costly, wasteful and detrimental to progress. The old system of government-determined, cost-based regulation brought customers poor performance in terms of too much generation capacity that always cost more than expected, power plants that were not available as much as they should be, declining investment in the electric transmission system that would otherwise have broadened customer access to the lowest-cost resources, and a culture that was resistant to new and innovative technology. Customers paid for this inefficiency in their monthly bills. Between 1970 and 1985, rates for residential customers more than tripled (25% in real terms) and rates for commercial customers quadrupled (86% in real terms). Investors also shared in the pain. Between 1985 and 1992 there were \$22 billion in write-offs of nuclear plants. Industrial customers were building their own generators as a way to bypass their local utilities. [*Former FERC Commissioners’ letter.*]

COMPETE FAQs continued...

Q. Hasn't restructuring been a failure?

A. Actually, experts say it is on the path to success. Restructuring is currently in its early stages. The few states that have begun restructuring haven't yet matured into fully competitive markets. But even at this early stage, our nation's top economists agree that competitive electricity markets are the best option for consumers, the economy and the environment. In fact, eight leading economists recently issued an open letter to policymakers saying that "among economists, it is almost universally accepted that well functioning competitive electricity markets yield the greatest benefits to consumers in terms of price, investment and innovation especially when regulated alternatives are no longer warranted." [The letter was signed by Vernon Smith (Nobel-Laureate, *George Mason University*), Alfred E. Kahn (*Cornell University*), Paul L. Joskow (*Massachusetts Institute of Technology*), William W. Hogan (*Harvard University*), Peter Crampton (*University of Maryland*), Howard J. Axelrod (*Energy Strategies, Inc.*), David W. DeRamus (*Bates White, LLC*), and Gary Hunt (*Global Energy Advisors*)]. And just about every study done by economists or independent market monitors in the ISOs and RTOs shows that restructured markets are lowering costs and providing other benefits.

Q. Why have there been substantial rate increases in some of the restructured states?

A. Those rate increases are the result of a confluence of factors. Many states imposed rate freezes at the time restructuring was adopted. Some of those rates had already been in effect for a few years before the freeze. Now some of those rate freezes are coming off. With even ordinary cost inflation, rates would be expected to rise after a multi-year freeze. But fuel costs have soared the past few years, thereby making the "catching up" significant. And competing suppliers have not yet entered the market to lower costs because most of the rate freezes were at levels below the cost of new market entrants, meaning that any new entrants would not have made a profit.

Q. Isn't the market manipulation that happened in California proof that competitive markets don't work?

A. No. A Federal Energy Regulatory Commission staff investigation of the California electricity crisis concluded that "significant supply shortfalls and a fatally flawed market design were the root causes of the California market meltdown." The Commission determined that the underlying supply-demand imbalance and poorly designed market rules made possible the unlawful behavior of Enron and other unscrupulous market participants. Now, California and all of the organized markets in the U.S. have rules and structures in place to prevent such manipulation and are actively monitored by independent experts. In addition, the FERC has adopted anti-manipulation regulations and has been given by Congress the authority to levy substantial penalties for violating them.

COMPETE FAQs continued...

Q. What are the environmental and health benefits of competitive electricity markets?

A. Restructured markets result in cleaner generation and provide better opportunities for conservation and efficient usage decisions by consumers. For example, competition drives improved efficiency and operating performance. Since the New England electricity market has been restructured, nuclear power plant availability has increased by 8%, avoiding the construction of up to five new generating facilities. And although electricity generation within the region increased by 25% between 1998 and 2004, associated acid rain-forming emissions decreased by 56%, smog-forming emissions fell by 57% and carbon dioxide emissions were 22% lower [*"A Review of Electricity Industry Restructuring in New England"* Polestar Communications and Strategic Analysis, September 2006]. Competition also provides consumers with more environmentally sound choices. Over 50 percent of all retail electricity customers in Texas can now purchase a "green" power alternative from their supplier or utility [*"Electricity Pricing in Competitive Retail Markets in Texas," Public Utility Commission of Texas, February 2006*]. Restructured markets also have rules and protocols that better accommodate the variable nature of renewable generation resources. As of 2006, about 73% of installed wind capacity is located in restructured markets, even though only 44% of wind energy potential is in those areas. [American Wind Energy Association] In addition, competitive markets provide the real-time price signals that can facilitate conservation by consumers.

Q. What is "demand response" and how does it work?

A. Demand response gives consumers the option to save money by controlling their electricity usage when supplies are tight or expensive. Basically, energy producers compensate customers for using less energy when demand is high by paying them a portion of the costs avoided by the foregone production. Reducing use during periods of high demand alleviates strain on the system and increases system reliability, helping to lower electricity costs and curb pollution. Because of price signals and fair market rules, competitive markets provide the best opportunity for demand response to flourish.



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COMPETE Coalition Spokespeople

Senator Don Nickles – Chairman & CEO of the Nickles Group, LLC

Senator Nickles served the state of Oklahoma and the country for 24 years in the United States Senate. Nickles was a key member of the Senate Republican Leadership for more than a decade, serving as Chairman of the Republican Senatorial Committee, Chairman of the Republican Policy Committee and as the Assistant Republican Leader. In his tenure as United States Senator, Nickles built a legacy of advancing free enterprise causes. Nickles was Chairman of the influential Senate Budget Committee during his last two years in the Senate, and was a senior member of both the Senate Finance Committee and the Energy and Natural Resources Committee.

Bill Massey – Former Commissioner, Federal Energy Regulatory Commission; Partner, Covington & Burling LLP

William Massey served as a Commissioner at FERC for more than ten years. Mr. Massey advises investment firms, utilities, independent power producers, pipelines, project developers, customers, marketers and energy companies on a wide variety of energy matters including mergers and acquisitions, market structure, competition policy, transmission and infrastructure investment, enforcement and investigations, and legislative strategy. Drawing on over 25 years as a Washington insider and counselor, Mr. Massey understands the intersection of policy, legislation and regulation.

Joel Malina – Executive Director, COMPETE; Executive Vice President, Wexler & Walker Public Policy Associates

For 15 years, Joel Malina has managed national advocacy campaigns in support of major public policy initiatives. He has served as the Executive Director of **COMPETE** since its inception in February, 2005. Before joining Wexler & Walker in 1992, Mr. Malina served as a political aide to Representative Nita Lowey (D-NY) and was an Associate at Austin-Sheinkopf Communications, a New York City-based media relations firm. A cum laude graduate of Yale University, Malina is a former professional actor and frequent guest lecturer at the American University's Washington Semester program and Washington College of Law.

CHICAGO SUN-TIMES

THURSDAY, MAY 10, 2007

Power rate rollback would be a mistake

Since January, when a nearly decade-long freeze on electric rates expired and power bills soared, lawmakers have been getting an earful from angry residents, particularly in Downstate areas where the increase was much more severe. They have responded with a serious push to roll back rates to their frozen levels. It sounds simple and alluring, but it would be a bad mistake.

To understand the debate you must return to 1997, when the Legislature decided to deregulate the power industry. Rates were rolled back 20 percent and frozen for what turned out to be nine years. ComEd got out of the business of generating power and became a business to deliver it. The expectation was that by the end of the freeze, rival power generating companies would be competing for customers, and market forces would be keeping prices low.

But competition for residential customers never developed. The problem was the frozen rate was so low, competitors

couldn't beat it -- so they stayed away. With the freeze set to expire, but without a competitive market, ComEd got the OK to introduce a measure of competition by buying power in a reverse-auction process, in which several different entities bid to supply the region's power needs. As a result, ComEd's 2007 rates, on average, are about 22 percent higher than in 2006. That sounds like a big jump, until you remember that rates were rolled back in 1997 and then frozen for nearly a decade so that today's increased charge is the same or lower than 1995. Much of the anger in the Legislature, however, comes from Downstate, where a similar process for Ameren resulted in bills that are an average of 55 percent higher.

The House passed a bill to return rates to their frozen levels for Ameren and ComEd customers. The Senate approved the Ameren portion of the freeze, and would have also included ComEd if not for some trickery by Senate President Emil Jones (D-Chicago). Jones is an oppo-

nent of the freeze whose ties to ComEd -- it has a contract with his stepson and its officials raised money for him -- have prompted some critics to question his motives, but we don't.

But Jones is on the right side in this debate. Refreezing the rates will do nothing to encourage competition, but the auction prices stand a much better chance. The freeze threatens to put off competition indefinitely. And lawmakers who support a freeze are telling ComEd it must buy power for more than it can sell it -- remember, it no longer generates its own power. ComEd has promised to sue if the freeze passes, and it stands a good chance of winning. ComEd has offered \$64 million in rate relief to aid those who can least afford the higher rates. CEO Frank Clark candidly admits the program is largely an attempt to head off a freeze. Lawmakers should stop trying to turn back the clock, accept ComEd's relief plan and let competition take its course.

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Deregulation questions

Deregulation of Maine's utilities has not worked out entirely as planned. But, before lawmakers consider reworking or even undoing the current system, as several bills before the Utilities and Energy Committee today would do, they should want to know what worked and went wrong and why. Without this information, they could make changes that raise electricity prices or have other negative consequences worse than those they're trying to fix.

Directing the Maine Public Utilities Commission to examine the benefits and adverse results of deregulation will put lawmakers in a much better position to make positive changes. The PUC currently does a cursory annual status report on deregulation and a regional study was completed in 2002, but a current, comprehensive review is needed.

There was an expectation that deregulation, which in Maine meant separating power production from its transportation and distribution, would lower electricity prices. This hasn't happened to the extent anticipated, likely in large part because fuel prices have risen dramatically in recent years.

In relative terms, however, states with deregulated markets have seen smaller increases than those without.

According to the Public Advocate Office, electricity rates in Maine have moved closer to the national average since deregulation. In 1999, Maine prices were 60 percent higher than the national average. In 2006, they were 39 percent higher. Prices in Maine have increased 11 percent since 1999 versus a 27 percent increase nationally.

An article in the November 2006 issue of Public Utilities Fortnightly said that "in 2005, when oil prices increased 135 percent and natural gas prices rose 210 percent, production/procurement costs rose only 5.6 percent. Indeed, if restructured states had used fuel-cost adjustment pass-throughs common in states with traditional rate regulation, rates would have been 15 percent higher."

Another assumption of deregulation was that it would increase competition, again leading to lower prices. Because Maine is such a small market, this hasn't happened to any great extent. In Aroostook County, the lack of competi-

tive bids for residential electricity prompted the PUC to declare a market failure.

On the generation side, however, private companies have proposed several renewable energy projects, and a wind farm on Mars Hill is sending electricity to the power grid. Because of market competition, generators have also become more efficient, further holding down rate increases. Private companies, not ratepayers, assume the risk for new facilities, which will eliminate stranded costs. However, market risks, such as the difficulty of siting a new facility, have stopped construction of new power facilities to serve the state and region's base load.

Utility markets are complicated and changing. Knowing what is the result of deregulation and what is attributable to other factors is necessary before considering major policy changes, such as allowing transmission and distribution companies back into the generation business, as three of the bills before the utilities committee would do.

Lawmakers should take their time on this complex issue.