



# COMPETE

Electricity Competition **IS** the Public Interest

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**FILING OBSCURES BENEFITS OF  
COMPETITIVE ELECTRICITY MARKETS**  
*COMPETE Welcomes Conversation on Benefits to Consumers  
From Organized Regional Wholesale Power Markets*

WASHINGTON, D.C. – The **COMPETE** Coalition today welcomed a filing before the Federal Energy Regulatory Commission by large industrial energy users and other interest groups as potentially setting the stage for a conversation that will help highlight the tangible consumer benefits of organized regional wholesale electricity markets.

“We look forward to an open and honest discussion of the consumer benefits delivered through these still-evolving markets. Real customers are experiencing real benefits from participating in these markets, and the markets should be allowed to continue so these benefits can be more fully realized,” said **COMPETE** Executive Director Joel Malina.

“Safeway strongly believes that customer choice keeps energy costs competitive at all levels, provides an array of customized products and services, and is a catalyst to investment in new energy technologies,” said Joe Pettus, Senior Vice President, Fuel and Energy for Safeway Inc., a **COMPETE** customer member.

“Restructured energy markets are the cornerstone for many environmental initiatives including renewable wind and solar power, energy efficiency and green building design. We are excited about the future and the opportunities for ourselves and our customers as restructured energy markets continue to mature.”

“Today’s filing targets well-established federal policy that was carefully formulated for well functioning markets with consumers in mind. Prices derived in these carefully monitored markets are just and reasonable, and bring benefits to consumers,” former FERC Commissioner and **COMPETE** counsel William Massey stated. “We welcome this challenge and are confident the Commission

will reaffirm its commitment to organized regional wholesale electricity markets in general and to the single price clearing auction in particular.”

Single price clearing auctions are backed by sound economic theory and real world experience, Massey said. “In fact, studies have concluded that the alternative, an ‘as-bid’ market, would not lower prices and would likely increase costs for consumers. The single price auction enforces a generation bidding discipline that keeps market prices lower and sends clear price signals which have direct consumer, environmental and competitive benefits.” Massey said. Massey noted that FERC as recently as March 15, 2007, soundly rejected a broad complaint challenging the single clearing price auction. That rehearing order upheld an October 11, 2006, order in which the Commission found such a market structure results in just and reasonable rates.

“The fact that low variable cost coal and nuclear baseload units are earning inframarginal revenues does not speak to the competitiveness of this market. These revenues provide incentives for existing generators to reduce their marginal costs and improve overall efficiency and for new, low cost generation to locate in congested areas,” the FERC Commissioners said.

“In effectively designed markets, the single clearing price is the most effective way to dispatch generation,” said Chris Hendrix, General Manager, Competitive Markets for Wal-Mart Stores Inc., a **COMPETE** customer member. “This will ensure that the most efficient and the least-cost units are running at all times to keep the system operating.”

In addition to the consumer benefits from the bidding discipline associated with this market structure, the geographic scope of regional organized markets and transparent price signals contribute to the growth of renewable energy sources and environmentally beneficial efficiency programs. In particular, newly developed regional markets for generating capacity are spurring dramatic growth in consumer demand response, which lowers energy prices and helps reduce the need to build new generating plants, offsetting emissions.

The record on renewable energy development is equally compelling. According to the American Wind Energy Association, 73 percent of wind generation has been developed in organized competitive markets, even though those regions represent less than half of the U.S. wind energy potential. In Texas and the Midwest ISO, for example, wind energy is being developed at a rate far surpassing the mandates established under state laws.

COMPETE Counsel Massey cautioned that consumers could be adversely affected if this well-established policy were to be upset. “The Edison Electric Institute

estimates that nearly \$1 trillion in infrastructure investment will be required over the next two decades just to meet increasing demand for electricity. That doesn't even include the added cost if carbon controls are factored in. These important investments require regulatory certainty, and will be more soundly made if disciplined by the market and competition. With this level of future investment requirements, it is more important now than ever before that the market continues to be structured in a way that maximizes incentives for existing generators to reduce their marginal costs and improve overall efficiency and for new, low cost generation to locate in congested areas. And it should not be forgotten that in competitive markets, these investment risks are largely borne by investors and not customers," Massey observed.

## **ABOUT COMPETE**

The **COMPETE** coalition represents 183 electricity stakeholders, employing over 4.5 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. For more information, please visit [www.competecoalition.com](http://www.competecoalition.com)

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