

# COMPETE

Electricity Competition **IS** the Public Interest

## Watt's Up?

### July/August 2008 Newsletter

#### **FERC: RTOs/ISOs Keeping Prices Down**

Competitive electricity markets are working very well, and despite rising fuel costs independent system operators are helping to keep energy prices down for customers. That was the message conveyed by CEOs and market monitors of several ISOs & RTOs before a Federal Energy Regulatory Commission's (FERC) technical conference on regional wholesale electricity markets on July 1<sup>st</sup>.

Witnesses agreed that wholesale markets remain the best tool to help meet a series of challenges, including escalating fuel prices, integrating renewable sources into their mixes, siting issues and the cost for new transmission and storage.

During the conference, the five FERC commissioners reiterated their solid support for organized competitive markets, countering the assertions of many competition detractors who have become increasingly strident in their criticism of the organized markets.

The commissioners sought to dispel the idea that rising power prices offer a metric for gauging the success of organized markets. FERC heard from ISO-New England, PJM and the New York ISO that energy costs in those regions would have been higher absent their organized competitive markets.

"I have been impressed with the steady progress made in the organized markets," Chairman Joe Kelliher said in his opening statement.

Commissioner Philip Moeller, noting that "markets are under attack," expressed his belief that "competitive markets deliver to customers in a way that non-competitive markets do not."

"My takeaway is that these markets have indeed kept costs down and have actually lowered energy costs from what they would have been absent these markets," said Commissioner Suedeen Kelly, calling regional wholesale power markets "a real success story."

Commissioner Marc Spitzer echoed Kelly, stating that assessing where prices would have gone absent the markets "is a much more accurate question to pose, as opposed to a wringing of hands over increased prices."

Commissioner Jon Wellinohoff proclaimed the markets healthy, "but I think they can be healthier," he said.

## U.S. Wind Energy First Place Worldwide

This month, the U.S. passed Germany as the world's largest wind energy producer. "Wind is now a mainstream power source – it's not just an alternative energy," said Randall Swisher, executive director of the American Wind Energy Association (AWEA), a member of **COMPETE**.

AWEA will soon release a report with specific figures on the U.S.'s new role as the leading wind-power producer. "The wind in the U.S. is more powerful than in Germany, so we generate more electricity overall," Swisher said.

On another front, Texas investor T. Boone Pickens' testimony before the U.S. Senate Homeland Security & Governmental Affairs Committee focused on his new wind energy plan. "The Pickens Plan" calls for investing in domestic renewable resources such as wind and switching from oil to natural gas as a transportation fuel. He argued that U.S. national security is in its greatest jeopardy since World War II due to its dependence on foreign oil.

The Public Utility Commission of Texas must be listening, as it authorized the spending of nearly \$5 billion to build transmission lines to transport the state's wind-energy resources to Dallas, Houston, Austin and San Antonio. Texas is the leading wind powered state in the country.

## More Rate Increases in Vertically Integrated States

For the average customer in Denver, Colorado, **Xcel Energy's** electric bills have increased by nearly 28 percent since February of this year. The rise was due to increases in what Xcel pays for materials, such as coal and gas.

Consumers of Cuba, Missouri's **Sho-Me Power** will pay almost 28 percent more this year for electricity. Sho-Me Power received an increase of 25.3 percent from its supplier, Associated Electric Cooperative, and passed the rate increase, with a little extra for good measure, on to its consumers.

Effective July 1, **Lakeland Electric**, the third largest muni in Florida, hiked its rates by 14 percent. The new rate will mean \$11.57 added to the customer's monthly bill. According to Lakeland Electric's research, the Jacksonville utility has raised its fuel rate by 37 percent, the Orlando utility by 34 percent, Florida Light & Power by 31 percent, Progress Energy by 20 percent and the Gainesville utility by 10 percent. Of those increases, only Gainesville's increase is effective in July, the others are staggered between July and October of this year.

## Regulators Developing Demand Response Road Map

Last week, the FERC and the National Association of Regulatory Utility Commissioners (NARUC) discussed how to develop an effective road map to overcome barriers to greater customer participation in demand response programs in the U.S.

"I think the main thing is developing a road map of how the states and federal government can work together to get demand response moving with customers so that the customers can really benefit, and the system, the grid, can really benefit,"

FERC Commissioner Jon Wellinghoff said during the summer NARUC meeting in Portland, Oregon.

Members of the NARUC-FERC demand response collaborative provided comments on a study underway by KEMA (a **COMPETE** member) to research the barriers to greater participation in demand response programs. Preliminary research on the obstacles to demand response is likely to influence a pending FERC decision making. The findings suggested increased attention to educating both consumers and utilities about the benefits of energy conservation.

Liz Hicks, a consultant with KEMA, said that a number of factors can increase participation in demand response programs, including having retail price signals reflect the actual cost of serving customers, communicating the prices to customers, providing customers with tools to control their load and market rules that create sustainable business models for demand response.

In addition to the KEMA study under way in conjunction with the NARUC-FERC collaborative, FERC is working on two new studies mandated by the Energy Independence and Security Act of 2007 requiring FERC to conduct a national assessment of demand response by June 17, 2009, and to develop a national action plan on demand response by June 17, 2010.

## Members in the News

**Comverge**, a leading clean capacity provider through demand response and energy efficiency, reduced the electric load at the University of Maryland, Baltimore (UMB) by more than 20 million kWh in two years. UMB enrolled in Comverge's Real-Time Economic Load Response Program and Reliability Pricing Model (RPM) Program in 2006. UMB began working with Comverge and PJM to reduce energy consumption on campus and to find cost-effective ways to save energy and expenses. Comverge works closely with UMB's facilities managers to keep them up-to-date on energy market prices, new energy conservation opportunities and assist with technical support.

**TXU Energy** has introduced its new energy conservation product – the TXU Energy iThermostat. The iThermostat replaces the customer's old thermostat with one that manages home energy use, saves money and helps the environment, and allows TXU to better manage electric use during periods of peak energy demand.

"Our focus is on helping customers control their energy use so they can save money," said Jim Burke, Chief Executive Officer of TXU Energy. "Combined with the TXU Energy Conservation program, this new tool will help accomplish that and help the environment at the same time."

The iThermostat incorporates technology to deliver a two-way demand response program over a high-speed Internet connection. "The iThermostat will ultimately leverage Texas' advanced metering system scheduled for full deployment over the next several years," said Robert M. Chiste, **Comverge** Chairman, President and CEO.

**Liberty Power**, one of the fastest growing independent energy retailers in the U.S., has been honored with the "Bill Alcorn Supplier Diversity Award" from

**JCPenney.** Liberty Power was selected as the winner of the inaugural award, which recognizes the retailer's most outstanding diverse supplier. The award was created by JCPenney to honor Bill Alcorn's extensive service and leadership with minority and women-owned suppliers.

David Hernandez, chief executive officer of Liberty Power, accepted the award. "Liberty Power serves as a positive example of how a minority-owned business can provide value to corporations that seek to secure cost-savings, while also striving to increase their diversity spending," Hernandez said.

**EnerNOC**, an energy efficiency consultancy and demand response services provider, has signed a five-year agreement with the State of Rhode Island to manage and optimize electricity usage of state and local government buildings. Individual facilities will be able to choose to join EnerNOC's demand-response network, which will pay them to reduce their electricity consumption during hours of peak demand. The money for those payments will be generated by selling the extra capacity back to the Independent System Operator of New England. The agreement allows state and municipal officials to use the company's PowerTrak energy-management platform to view and analyze a building's energy consumption in real time.

**Recurrent Energy** (one of **COMPETE**'s newest members) was selected by the San Francisco Public Utilities Commission to install 30,000 solar panels on the roof of the Sunset Reservoir, and on top of a recycling facility at Pier 36. This will be the country's third-largest photovoltaic system and will triple the amount of power that city government gets from solar energy. The contract still needs approval of the Board of Supervisors. If approved, the system could be running by mid-2009.

**PPL Corp.** is offering business customers new tools aimed at better conserving energy. PPL EnergyPlus, the company's energy marketing subsidy made available metering equipment and Internet-related tools that enable commercial and industrial users to more accurately monitor usage. The services will also inform customers about PJM's capacity allowing users to adjust their consumption during peak periods. PPL EnergyPlus is offering these services in conjunction with **EnerWise Group Converge Inc.** PPL has also provides similar services for its residential customers.

"Helping our customers to wisely manage their electricity consumption, especially when there is strain on the regional delivery system, is just as critical to sound energy policy as exploring new sources of electricity generation," said Gene Alessandrini, senior vice president of marketing for PPL EnergyPlus.

## **COMPETE Member Opinions**

Two **COMPETE** members recently submitted **very compelling** op-eds to the Harrisburg (PA) *Patriot-News*, below.

We wanted to share these with you to both 'arm' you with their strong messages and also to encourage you to submit your own opinion pieces to your local newspapers.

## **The Patriot-News**

### **Op-Ed: Allowing a choice keeps rates down**

By Gibson C. Armstrong

July 15, 2008

Pending power price increases of around 40 percent in 2010 are causing some to suddenly see our era as passive ratepayers to government-empowered monopolies as halcyon days when the friendly multimillion-dollar utility next door took care of us. Rather than pine for the "good old days," we need to embrace a real electricity market that will offer customers liberating choices.

If we do, we will see the transforming power of market competition enhance how we buy electricity and interact with our power providers. If we turn back, we will end up paying a little more now and a lot more later -- for poorer service and less reliable power.

We need to realize that capping rates does not assure low prices; it only means that future increases will be dictated not by the market, but by unelected commissioners who will decide how much more ratepayers will pay when their utilities request rate hikes. (Hint: When is the last time a rate increase was denied?)

Neither will these ratepayers have any say in how much their utilities will bill them to build new multimillion-dollar plants -- in deregulated states, investors finance them by choice.

Next, we must understand that electric rates are rising no matter what, in deregulated and regulated markets. That is because costs for fuel, personnel, regulatory and litigation fees (paper work now costs a full third of the price of new transmission lines), and construction have risen. Even so, the pending increase is minor compared to corresponding increases of over 270 percent for gasoline, 350 percent for fuel oil and 140 percent for natural gas.

As we consider our options, we would do well to remember Einstein's admonition that solving problems is impossible when relying on the same thinking used to create them. The way out of the quandary caused by a government-controlled market is not perpetuating bureaucracy; competition and market forces, not re-inventing regulations, is what empowers consumers and leads to the lowest possible prices.

Take telecommunications, for example, whose costs have fallen like a millstone while services and choices have expanded like the incoming tide filling a shallow bay. Why? Because in the 1980s, we let old-fashioned free market competition supplant decades of regulatory control. Americans began to do what they do best: innovate and compete.

After it became profitable to take creative risk, advances toward novel and inexpensive technology exploded. If the feds had left Ma Bell in charge, there would be no text messaging, no voice over Internet, no camera phones, no calling-Europe-for-free and some phone company executive would still be explaining, straight-faced, why it costs more -- and always will --to use the same old huge ugly black rotary-dial phone to call from Harrisburg to Reading, than from Harrisburg to California.

In developing power markets like Texas, over 25 power suppliers now offer customers about 100 different options like green power, efficiency controls, advanced meters, price hedging and demand response (where customers get paid to use less power in response to increased demand on the grid). Re-imposing rate caps will stop great leaps forward like these dead in their tracks and forever limit our future options like short-sighted citizens of a banana republic electing a dictator.

But for evidence that competition works, we need look no further than Allegheny County, where the rate caps recently expired. Today, about half of Duquesne Power and Light's industrial customers chose their own alternate electric supplier. The morphing from "just-shut- up-and-pay-the-bill," to real choices that will help customers control their costs is just commencing.

While we might get sore feet along the way, the impending benefits will be well worth the trip. Let's not let a basic misunderstanding of markets and some minor temporary discomfort discourage us from the inevitable progress that will accompany electricity competition.

GIBSON C. ARMSTRONG, a former state representative who chaired the Renewable Energy Caucus, is a vice president at American PowerNet, a national electricity supplier.

<http://www.pennlive.com/columns/patriotnews/asiseeit/index.ssf?/base/columnists/121607250818770.xml&coll=1>

## **The Patriot-News**

### **Op-Ed: Electric competition will restrain prices**

By Douglas L. Biden

June 24, 2008

This responds to your June 10 editorial, which expressed skepticism of PJM's new rules governing wholesale electricity pricing due to a complaint filed by consumer advocates and state utility regulators.

Under PJM's previous rules, investors were not able to recover the costs of building new plants. The result was predictable: Shortages were beginning

to develop in some areas within PJM. The new rules (which were not opposed by the Pennsylvania PUC) have begun to reverse that trend, and PJM's independent market monitor has certified that the results of the auctions are competitive.

Unfortunately, the complaint seeking refunds threatens this revival of investment.

Electricity prices are rising in both regulated and deregulated states due to a rapid escalation in the costs of fuels used to generate electricity and of materials used to build generating plants. USA Today reported on June 16 that utilities plan to raise prices by 25 percent in Oklahoma, 29 percent in Virginia, and 37 percent in South Carolina, in addition to increases of up to 30 percent in the past five years due to higher fuel costs.

All of these states are regulated, so these results cannot be blamed on competition. To the contrary, competition restrains increases in electricity prices, as it does for other products.

Douglas L. Biden, President, Electric Power Generation Association  
Harrisburg

<http://www.pennlive.com/letters/patriotnews/index.ssf?/base/news/1214258117153230.xml&coll=1>

## **Membership Update – COMPETE at 251**

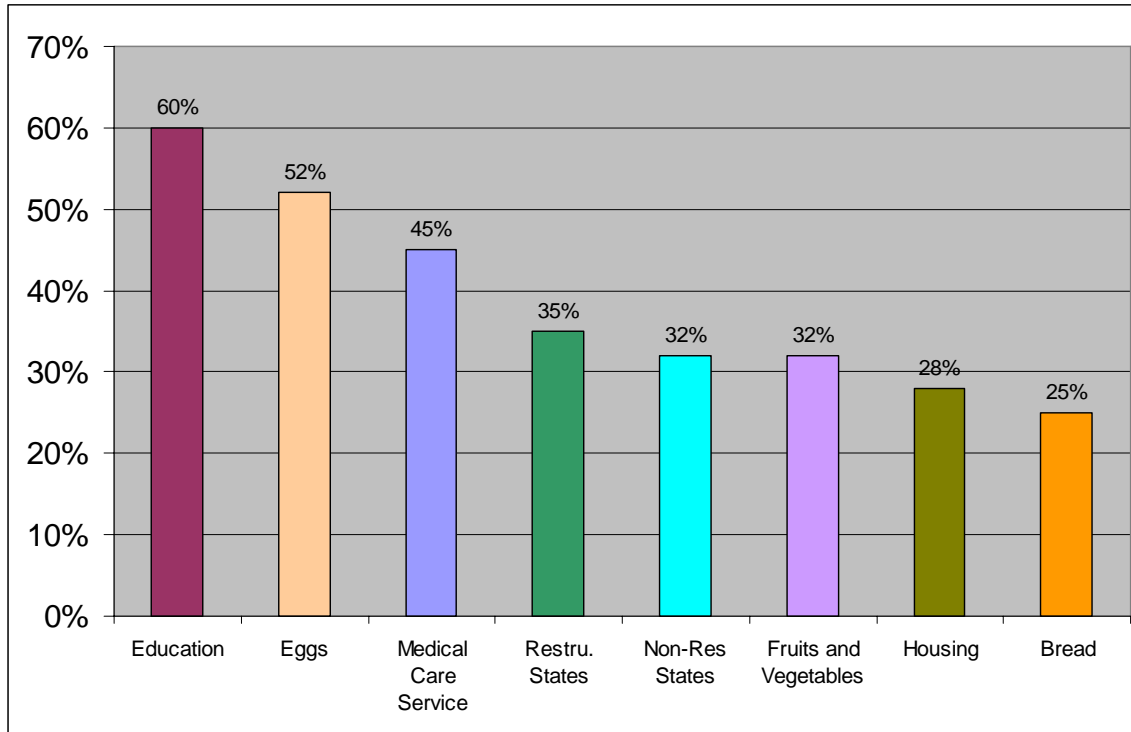
**COMPETE** membership continues to grow. Today we stand at 251 members. We would like to welcome and extend our thanks to Advantage IQ (Spokane, WA); Alyx Ann Corp. (Ganado, TX); Amtrak (Philadelphia, PA); CETX Energy Agency (Houston, TX); Citi Realty Services (San Antonio, TX); City of Lyford (Lyford, TX); Co-exprise (Wexford, PA); Current Group (Germantown, MD); GoGreenSolar.com (West Covina, CA); Martin Linskey Communications (Rochester, NY); New Era Cap Company (Derby, NY); Recurrent Energy (San Francisco, CA); Target Corporation (Minneapolis, MN); and Yuasa Battery, Inc. (Laureldale, PA) who have joined since our last newsletter.

## **COMPETE New Member Profile**

Founded in 1920, New Era Cap Company, Inc., the leading headwear manufacturer and creator of New Era Apparel, brings to market products that transcend time, culture, sport and fashion. Producing more than 35 million caps per year, New Era is the exclusive manufacturer and marketer of the official on-field cap worn by every Major League Baseball team and their Minor League affiliates and maintaining agreements with other licensed entities. New Era employs approximately 1,700 people world-wide in New York, Alabama and at its operations in Canada, Europe, Japan and Hong Kong and is the largest sports-licensed headwear company in the world.

## Did You Know?

### Prices: Electricity vs. Commodities (1999-2007)



Source: Bureau of Labor Statistics, U.S. Energy Information Administrations

## America: Powered by Competition

The **COMPETE** coalition represents 251 electricity stakeholders, employing nearly seven 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).