

Interagency Task Force Report to Congress on State of Electric Competition

The Electric Energy Market Competition Task Force (created by the Energy Policy Act of 2005 to study competition in wholesale and retail markets for electricity) recently issued its "Report to Congress on Competition in the Wholesale and Retail Markets for Electricity Energy." The Task Force was comprised of representatives from the Department of Justice, the Federal Energy Regulatory Commission (FERC), and the Department of Energy, among other agencies.

The report highlights important consumer benefits stemming from competitive electricity markets such as greater transparency, enhanced capacity, greater fuel diversity and efficiency of generation. The report also noted the limitations of the traditional, monopoly model of regulation where the ratepayer bears the risk of poor decisions and investments which reduces incentives for cost reduction, innovation and investment. In addition, it notes the success of competitive markets that have emerged from transition periods, where competition is robust, generation efficiency is high and retail customers are seeing lower prices.

The report points out that the 'good old days' may not have been so good after all -from 1970 to 1985, national average electricity prices tripled in nominal terms and increased 25 percent in real terms. "Experience with restructuring in other industries indicates that consumer switching from a traditional supplier to a new one can be a slow process. It took 15 years before AT&T lost half of its long-distance service customers to alternative suppliers," the report stated.

Importantly, the report notes the success of competitive markets that have emerged from transition periods, where competition is robust, generation efficiency is high, and residential, commercial and industrial customers are seeing lower prices. "Experience indicates that once residential customers switch to alternative suppliers, they seldom return to the provider of last resort service even after the temporary discounts expire."

The report can be obtained at

<http://www.ferc.gov/legal/maj-ord-reg/fed-sta/ene-pol-act/epact-final-rpt.pdf>