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Industrial Consumers Tell FERC State Resource Policies Disrupt Organized Markets and Negate Competitive Values

Washington, D.C. – The Electricity Consumers Resource Council (ELCON) told the Federal Energy Regulatory Commission in comments filed Thursday that state policies affecting resource adequacy and costs “cannot be reconciled with the competitive wholesale market framework” and disrupt the markets and negate their competitive value.

The post-technical comments were filed in a FERC docket on “State Policies and Wholesale Markets Operated by ISO New England, New York Independent System Operator and the PJM Interconnection. The comments are attached.

“The problem before the Commission is quite serious and unless the Commission is vigilant, we believe the competitive whole electricity markets are in danger of disruption such that their fundamental objectives risk being completely negated,” ELCON said in the comments.

“The threshold issue as we see it is how can the ISO’s and RTOs accommodate state policies affecting resource adequacy and costs while preserving the values of the competitive wholesale markets and the intended objective that consumers pay the lowest possible price for reliable service. Simply put, we believe this cannot be done. ELCON believes that the state policies at issue cannot be reconciled with the competitive wholesale market framework.”

ELCON said the full competitiveness of the wholesale markets operated by ISOs and RTOs should be preserved and strongly urged the Commission to reaffirm the principles that underlay the formation of the RTOs as stated in Order 2000.

“Our position is that each state should use the ISO/RTO platform as is, and tailor its policies to accommodate the market design. If a state wants to force its citizens to pay for higher, out-of-market costs (e.g., off-shore wind farms or subsidies for uneconomic power plants), FERC must not allow an organized market to be used to socialize those cost or otherwise distort those markets. States may resort to other methods of cost recovery that do not interfere with the competitive pricing mechanisms and technology neutrality of the organized markets.”

Established in 1976, ELCON is the national association of large industrial users of electricity from virtually every manufacturing sector. More information about ELCON can found at www.elcon.org.