ELCON REPORT

ELECTRICITY CONSUMERS RESOURCE COUNCIL

NUMBER TWO 2005

Energy Bill Becomes Law

On August 8, President Bush signed into law the Domenici-Barton Energy Policy Act of 2005, culminating a 10-year effort to pass comprehensive energy legislation, including several provisions that will continue the restructuring of the electricity industry.

ELCON President John Anderson stated that the electricity provisions of the bill are "clearly not as I would have written them. But, neither are they going to cause great harm to the development of competitive electricity markets. And in some areas they might help."

The conference committee was concluded in less than one month, and House and Senate passage of the conference committee's report was achieved a few days after that.

The final results were a 74-26 vote in the Senate and a 249-183 tally in the House. From the perspective of industrial consumers, one of the most important provisions in the bill is the repeal of the Public Utility Holding Company Act of 1935 (PUHCA), effective February 15, 2006. ELCON had long opposed PUHCA repeal, viewing the Act as a major federal consumer protection statute for the electric utility industry. It restricted utilities' ability to merge with each other and limited each utility's ability to enter into unregulated activities.

But, as Anderson stated, "in reality, enforcement of PUHCA has been so lax, that I don't believe a lot will change."

Opponents of PUHCA repeal, including ELCON, succeeded in including language granting federal and state regulators access to "such books, accounts, memoranda, and other records as the

Continued on page 3

ALSO IN THIS ISSUE...

Market Power Screen Victory from FERC

The Federal Energy Regulatory Commission issued three decisions in May that represent major victories for ELCON and allies who have sought vigorous enforcement of market power screens. FERC ruled that Southern and Entergy flunked tests to determine whether a utility has too little market power to control prices and therefore is justified in charging market-based rates (MRB).

The decisions are significant in that they examine market power in specific contexts such as seasonality. ELCON and other intervenors had urged FERC to evaluate utilities not only on the question of their generator market power but also with respect to transmission market power, barriers to entry and affiliate abuse.

Because the companies failed the

Continued on page 7

ELCON Opposes PURPA Relief Filing

ELCON will strongly oppose a Federal Energy Regulatory Commission filing made by Wisconsin-based Alliant seeking an order relieving Interstate Power & Light Co. and Wisconsin Power & Light Co. from their obligations under Section 210 of the Public Utility Regulatory Policies Act (PURPA) to purchase power from cogenerators. Alliant operates in MISO, which it alleges meets requirements in the new energy law allowing Alliant out of PURPA's purchase obligations.

ELCON President John Anderson countered, "MISO's Day 2 markets have only been operating for less than five months. They are so new it is impossible to tell whether they will provide the open and competitive markets that this new law requires. This market is still an infant. We should at least wait until it's an adolescent before we start making long-term decisions.

"PURPA was intended to put more efficiently produced and more environmentally friendly power, generated by non-utility sources, on the grid. Utilities have been fighting it since it was enacted in 1978," Anderson said.

He added that PURPA guarantees would not be necessary if truly competitive wholesale and retail markets existed. But, "America's manufacturers, who are major users of electricity as well as self-generators, just don't believe those markets exist right now. We believe that this is an important issue that probably merits a rulemaking procedure rather than a case-by-case decision." E

Let's Balance Supply and Demand

By Gary Kajander, ELCON Chair

Electricity markets are unlike any other market for any other commodity. Because it is virtually impossible to store any quantity of electricity for any period of time, the supply of electricity (the amount being generated) has to match the demand for electricity (the amount being consumed) at all times.

There is no opportunity to put excess power into inventory as we do for other commodities when we have too much supply. And, we certainly can't call on accumulated stock when consumption of electricity is about to exceed supply. (Maybe the suppliers should tell customers that their request for more power is on "back order.")

What that translates into in the real world is very interesting. In almost every region, suppliers keep their most efficient base load generators running almost all the time. As the anticipation for more supply increases (based on weather forecasts, prior use records, etc.), additional generating units are called into service. The least efficient, rarely used generators are really quite costly.

If consumers were paying the actual cost of the power they were using their bills would be substantially higher. But very few electricity users pay those high fees. Residential consumers may pay a higher unit rate for increased consumption, but they have caps that are far below the actual cost of service. Most commercial and industrial customers usually have negotiated rates or use a fixed tariff that protects them from having to pay the actual cost at the absolute peaks.

But don't be misled -- those high costs are factored into the prices that everyone is paying. We may not pay for them right away, but they are spread out, and we certainly foot the bill over the course of a year.

What is wrong with this scenario?

It only addresses the supply market. When we need more power we increase supply, even though the cost of those last increments can be considerable. Why don't we look at demand, and, in particular, creating a demand market?

For years utilities have had demand programs. All of these are good deals for utilities while offering some minimal benefits to consumers. Some offer the big industrial users a minimal discount if the industrial agrees to be interrupted given a specific amount of notice. Other utilities offer discounts to industrial and commercial customers who voluntarily agree to cut back on consumption during periods of peak demand. Utilities also have programs and slightly reduced rates for residential customers who agree to allow certain energy-intensive appliances like air conditioners and hot water heaters to cycle off for 10 or 15 minutes during high-use periods. But these are programs, not markets.

Why not consider markets? For example, when a Regional Transmission Organization or some other grid-regulating entity is about to call into service a costly, inefficient generator to supply 200 MWh, why not see if customers might be willing to reduce consumption by that 200 MWh. And -- here's the rub -- a market-oriented approach (in contrast to another demand response program) will pay the customer who is reducing demand exactly what the inefficient generator would have received. After all, for the purposes of balancing the electricity equation, each MWh of reduced consumption is equivalent to each MWh of additional generation. Thus, supply and demand should be treated symmetrically with equivalent rewards. Consumers would pay no more and would, in fact, benefit through reduced capital expenditures by utilities, decreased emissions, and less use of fossil fuels.

Would customers participate in this voluntary market approach? It's not

Continued on page 7

No Consumer Focus In Organized Markets, Anderson Says

ELCON President John Anderson said in a recent statement, "I am amazed at the continued lack of consumer focus in the Organized Markets. RTOs and ISOs seem more determined to ensure that inefficient generators make money than to advance the cause of competition or, more importantly, provide lower costs and better service to consumers."

His statement came in reference to a ruling in a case before the U.S. Court of Appeals for the District of Columbia Circuit (*PPL Wallingford Energy LLC and PPL EnergyPlus LLC v. FERC*). The case involved whether FERC and the New England ISO used appropriate procedures in classifying generators owned by PPL.

"This was a complicated case," he said, "but what I found interesting was that the New England ISO was pushing Reliability-Must-Run contracts as a means of ensuring grid operation, but FERC stated that the 'use of RMR contracts undermines effective market performance'.

"It also stated that 'RMR contracts suppress market-clearing prices, increase uplift payments, and make it difficult for new generators to profitably enter the market.' Where is the consumer focus? Who will benefit from these ISO directives?" E

A Judge with A Sense of Humor

Judge Merrick Garland wrote the opinion for the Court in the PPL case (see story above). Before launching into his decision, he wrote a preliminary paragraph: "This case raises the question of whether FERC's rejection of a PPL-ISO-NE RMR agreement covering CTs in a NEPOOL DCA violates the APA because FERC ignored PPL's objections to FERC's PUSH and LMP assumptions. We conclude that it does. For those not fluent in language of FERC, a translation follows." E

Opposition to Capacity Markets Increases

Members of Congress, Governors Speak Out

Opposition to capacity markets -- paying utilities to encourage them to build new capacity, as opposed to paying simply for purchased energy -- appears to be increasing as New England political leaders have gone on record against installed capacity programs.

After the Federal Energy Regulatory Commission approved the New York ISO's (NYISO) installed capacity market, ELCON filed challenges with the U.S. Court of Appeals for the District of Columbia Circuit. The court turned down the appeal without addressing the merits of ELCON's argument, stating simply that FERC had authority to do what it did absent evidence that its action was "arbitrary and capricious."

But powerful new challenges have come in the form of a letter to FERC Chairman Joe Kelliher signed by every member of Congress from New England expressing opposition to the New England ISO's proposed locational installed capacity (LICAP) plan. The governors of the six New England states and several attorneys general from New England have also weighed in against the plan.

Adding to the chorus, the congressional conference committee considering the just-passed comprehensive energy bill (HR 6) inserted language stating the "sense of Congress" that FERC should be mindful of the objections lodged by the New England governors as they decide LICAP issues in that region.

In response, FERC in mid-August reversed an administrative law judge's decision and delayed implementation of the New England ISO's LICAP proposal until October 1, 2006. ELCON President John Anderson called FERC's action "pro-consumer."

The problem with capacity markets is a central theme of ELCON's April 2005 Special Report, *Problems in the Organized Markets,* available online at www.elcon.org. The report noted that

Continued on page 6

Energy Bill

From Page 1

Commission determines are relevant." In addition, the Federal Energy Regulatory Commission's merger review authority was affirmed, and FERC was given a new requirement to find that any proposed utility merger is in the "public interest." The Act prohibits "any manipulative or deceptive" behavior by electricity market participants.

Implementing PUHCA repeal will require three FERC rulemakings. ELCON plans to participate in all of them.

Also of interest to ELCON members are provisions amending the Public Utility Regulatory Policies Act (PURPA). The Act includes language that ELCON worked to hammer out two Congresses ago (then known as the Carper-Collins amendment) maintaining PURPA's guaranteed purchase and sale provisions until competitive wholesale and retail electricity markets are established. This language -- which is consistent with ELCON's policy objectives -- was accepted over the alternative advocated by several utilities that would have repealed the mandatory purchase and sale provisions in PURPA outright.

Another provision of the Domenici-Barton Energy Policy Act on which ELCON worked through the years directs FERC to establish a national electric reliability organization, which is likely to be a reconstituted North American Electric Reliability Council. Anderson emphasized that reliability is important to industrial end users, noting that, "when the grid went down two years ago, industrials lost billions of dollars in sales, and some ended up with permanent damage to their facilities." The language in the bill, he said, "should help improve reliability in the integrated grid."

Another issue with a positive outcome was participant funding. Several utilities had sought language requiring FERC to use participant funding for the allocation of costs for all new transmission, and they had succeeded in inserting the language last year. This year, however, a coalition comprising ELCON, independent power producers, public power, and several utilities and independent transmission companies prevailed. First, the House bill did not contain any participant funding language (the preferred position). Then, the Senate passed language basically restating present law, which gives FERC the option to use participant funding or any other allocation methodology (an equally acceptable outcome). The Senate language was adopted by the conference.

ELCON was also pleased with inclusion of a provision granting FERC "backstop authority" for the siting of new transmission lines when the permitting process gets bogged down at the state level. As Anderson stated, "If we are to build transmission so that our electricity infrastructure is up to the necessary standards, then the FERC backstop authority is not warranted, it's essential."

A final issue on which ELCON had worked was transmission incentives. ELCON believes that high transmission costs are ultimately borne by consumers and has therefore long opposed incentive rates for building new transmission because (1) most transmission is low-risk, and rates of return should be commensurate with the degree of risk, and (2) many proposals for incentive rates would authorize such rates in any region regardless of whether a specific need for transmission exists.

But Anderson noted, "This bill has an interesting provision. While it calls for incentive rates, it also links the new transmission built to increased grid reliability and states that the reduced congestion must result in lower prices for consumers. That makes sense…and we at ELCON intend to ensure that FERC adheres to that mandated nexus." E

Speakers Debate Lack of Consumer Focus

As evidenced in ELCON's Special Report, *Problems in Organized Markets*, industrial electricity customers have not seen increased competition in the operating Regional Transmission Organizations (RTOs) and Independent System Operators (ISOs). Instead, industrial users have found a lack of customer focus, great difficulty in engaging in long-term contracts and pricing structures that reward generators at the expense of consumers.

Market shortcomings noted in the Special Report, along with similar views in reports from the American Public Power Association and the PJM Industrial Consumers Coalition, have elicited responses from generator and marketer groups.

At ELCON's New Orleans Workshop, Bill Utt, president and CEO of SUEZ Energy North America and chairman of the Electric Power Supply Association (EPSA), tried to find a middle path. "We should look for things we agree on," Utt urged Workshop attendees, which he said included a trend toward more transparent and competitive markets, the need for improvements to market design and the need for new approaches to encourage or compel investment in transmission. "Forward" momentum for change has existed for many years, and industrial users and merchant generators agree on the general proposition that "competition works better for consumers than regulation," he said.

A slightly different take on the issue was offered by another Workshop speaker, FERC Commissioner Suedeen Kelly. Noting that FERC has often attempted to promote competition by allowing generators to charge market based rates (MBR), she admitted -- as ELCON has often noted -- that the Commission has been too "liberal" in granting MBR authority. Such authority should not be granted where generators can exercise market power, she said.

Kelly told the Workshop that she agrees with points in *Problems in the Organized Markets* and that many at FERC were dissatisfied with the status of such markets. But, the widespread recognition of market problems has not led to any universally accepted solution.

That view was echoed by another speaker, Chartered Financial Analyst Leonard Hyman, R.J. Rudden Associates, pointed out that discussion of electricity restructuring issues was so disjointed that the free-market Cato Institute has advocated a return to regulation while the utilities' trade association, the Edison Electric Institute, favors competitive markets. "People claim that markets are competitive" but offer no real evidence to support that assertion, Hyman said. "We haven't really deregulated anything" -- only adopted different regulations.

Financial Analyst
Leonard Hyman

For those who seek truly competitive markets, Hyman offered a simple remedy: "The local electric company needs to believe it can make more money by doing its job better." None of the speakers, however, provided a path to that objective.

ELCON's New Orleans Workshop

Utt noted several consumer concerns, but he maintained that complaints about high prices in several organized electricity markets were due to increased natural gas prices, "not market design." Electricity prices would have been even higher without competition under a cost of service policy, he maintained.

End price caps?

Utt asserted "there is no going back" on competitive markets. He advocated "getting rid of price controls," allowing investments the potential to make the most money and retaining Locational Marginal Pricing (LMP). At the same time, he admitted that political reality argues strongly for price controls.

Workshop speaker John Bear, senior vice president and COO of the Midwest Independent Transmission System Operator, Inc. (MISO), also argued for eliminating price caps. Whether price volatility is acceptable or not, we "must remove price caps because otherwise merchant plants can't make money," he said.

A simple observation from Hyman echoed the concerns of many ELCON members. "No one," he said, "is in charge of providing product to consumers." E

Workshop Speakers Debate Need For Incentives for New Transmission

Investment in transmission "has not kept pace with demand," part of the reason being that the transmission grid was built for a "different kind of commerce" than we see today, FERC Commissioner Suedeen Kelly told ELCON's New Orleans Workshop.

Increased merchant generation accompanied by increased wholesale transactions have changed the electricity marketplace, she noted.

Commissioner Kelly observed that independent transmission companies, whose sole business is to provide transmission, have worked well in some areas, but incumbent utilities would strongly oppose them in most places.

Financial analyst Leonard Hyman advised caution. "A lot of money for transmission would move in under the right circumstances," he said, citing as problems in recent years regulatory uncertainty regarding reliability, RTO operation, and PUHCA repeal. E

ELCON's New Orleans Workshop

Are RTOs Working As Planned -- Or at All?

Sixty-eight percent of U.S. consumers are now provided electricity in regions administered by a Regional Transmission Organization (RTO) or an Independent System Operator (ISO), Federal Energy Regulatory Commissioner Suedeen Kelly told ELCON's Workshop in New Orleans. This leads to two basic follow-up questions, she said: "First, does the stakeholder process work, and, second, are the costs justified by the benefits provided?"

Workshop participant Leonard Hyman, a Chartered Financial Analyst with R.J. Rudden, noted that FERC has unilaterally determined that RTOs are the best model for competition. He said this leads him to the conclusion that market structure has been more important than results.

RTO management is of the utmost importance to generators, especially merchant generators, according to Bill Utt, CEO of SUEZ Energy North America and chairman of EPSA. "The biggest market power problem is on the wires," and widespread sentiment for protecting native load translates into keeping competitors (e.g., merchant generators) off the grid, he said.

John Bear, senior vice president of the Midwest ISO (MISO), told the Workshop that MISO has been providing an energy-only, real-time, day-ahead market only since April 1. He admitted that governance issues need to be reviewed and that allocation of costs for new transmission will be a difficult issue.

Bear identified MISO's primary purpose as a "central planner" for its footprint. He said congestion points could be identified and mitigated without use of Locational Marginal Pricing (LMP), which he termed an index for congestion but "not a long-term planning tool."

FERC Commissioner Suedeen Kelly

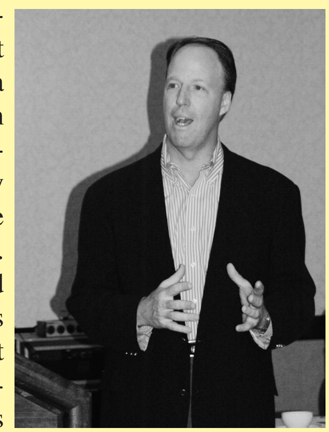
Scott Miller, executive director for market settlements for PJM, defended PJM's operations and directly criticized groups like ELCON that have expressed dissatisfaction with "organized markets." He cited a number studies showing price benefits for consumers in PJM, and he noted that prices in PJM have dropped on a fuel-adjusted basis. But, he admitted that PJM needs to increase its demand response capability and correct deficiencies in the spot market.

To date, ERCOT has operated more consistently with ELCON's objectives, accordingly to Brian Lloyd of J. Pollock, Inc., a consulting firm focusing on the Texas market. Lloyd told the ELCON Workshop that there is no central day-ahead market, creating a situation in which more than 90 percent of the market consists of bilateral contracts. "No one can dump power into a pool or spot market," he said.

Lloyd also criticized installed capacity payments (or ICAP) as utilized in other organized markets, which he said was designed "for fat, dumb and lazy generators." He noted, however, that ERCOT is using a nodal market format because it is seen as providing efficiency gains as well as the ability to directly assign congestion costs. From a consumer's point of view, Lloyd indicated he fears the nodal approach might lead to the destruction of bilateral contracts, increased market power, and, eventually, ICAP.

In fact, he said, "the market today may be as good as it's ever going to be from the customer perspective."

A contrary point of view came from Thomas Fontham, special counsel to the Louisiana Public Service Commission, who frequently represents industrial customers. He said he thought RTOs were good "in theory," but that there was a danger in taking jurisdiction away from the state commissions. He indicated he worries about expenses -- "are the costs of RTOs ever calculated?" he asked -- and the propensity of RTOs to utilize LMP, which he said stood for "lots more price."



MISO's John Bear

For those who, like ELCON members, are not satisfied with the lack of customer focus in many of the organized markets, FERC Commissioner Kelly offered some counsel. She advised all consumer groups to "meet with the RTO and ISO boards and let them know about your concerns." She pledged that FERC would also oversee the markets to ensure that the consumer perspective is not overlooked. E

Workshop attendees visited OxyChem's Taft cogeneration plant near New Orleans

See back page for details about ELCON's next Workshop Oct.19

ELCON Activities Before The Federal Energy Regulatory Commission

200 Utilities Cited For Failing Conditions of Market-Based Rates

The Federal Energy Regulatory Commission in May issued orders citing more than 200 utilities for failure to comply with conditions of market-based rate (MBR) authority, including failure to submit required triennial market update reports on time. FERC required these companies either to submit delinquent reports within 60 days or face revocation of market-based rate authority. Alternatively, a utility was allowed to cancel its market-based tariff. Additionally, FERC established a Section 206 proceeding to determine whether rates charged by these companies continued to meet the just and reasonable standard.

On the same date it issued the citations, FERC instituted Section 206 investigations of Xcel Energy, Cleco Power, Virginia Power and MidAmerican to determine whether they have generation or other forms of market power, and it approved MBR applications or renewals for several companies, including Mirant Americas Energy Marketing, Central Vermont Public Service Corp., Nevada Power and Florida Power & Light.

New FERC Proposals

In response to comments from ELCON and other consumer-oriented groups, FERC proposed to revise its Uniform System of Accounts and financial reporting requirements for utilities to reflect certain restructuring changes occurring in the electric industry as a result of open-access transmission services and increased wholesale competition. Among the proposed revisions are the inclusion of costs to an RTO of performing regional market-related activities and transmission services to members. Proposed changes to quarterly and annual financial reports aim to provide for greater transparency and comparability for the cost of transactions and events affecting public utilities, including RTOs.

The Commission said it expected the changes in financial reporting will lead to improvements in cost recovery practices by providing details concerning the cost of RTO functions and increased assurance that the costs are a legitimate and reasonable part of providing service.

Generator Run Status Information

FERC also announced it is seeking comments on whether it should collect information about generators' run status on a confidential basis, either as a matter of routine or on an as-requested basis. The proposal was prompted by the 2002 Western markets crisis, which demonstrated the tremendous risk to consumers of physical withholding by generators in tight market situations.

Although public utilities are required to post information about transmission availability on their OASIS, no such requirement exists for the generation side. According to the FERC notice, "generator run status information can help the Commission to identify the selective withholding of generation and the misrepresentation of generating capacity to influence market prices."

Access to such information would allow for more ready monitoring of markets for undue discrimination and preference, investigation of market abuses, and evaluation of complaints. It is not clear if behind-the-meter generators would be subject to the same compliance requirements. ELCON has supported greater transparency of the actual operation of merchant generators. E

Capacity Markets

From Page 3

energy-only markets are preferable to markets that produce other revenue streams such as capacity markets.

By advocating an "energy-only market," ELCON did not intend for there to be no "market" for capacity or for capital costs to be recovered through energy price spikes, but rather that spot markets should be based on "energy-only."

ELCON members believe that most capacity costs should be recovered in long-term bilateral contracts -- a recommendation in the Special Report. Some capacity costs would be recovered in the spot market, but by prohibiting other mechanisms for some form of out-of-market capacity surcharges (e.g., LICAP), the risk of the spot market would be too high and most generators would seek the security of a long-term contract.

Thus the spot market would become the equivalent of a balancing market. ELCON does not believe that eliminating offer caps is necessary, but the cap level should be raised. This must be done at the same time other market mitigation measures are reevaluated for unintended consequences. E

Market Power Screens

From Page 1

initial market power screens, FERC will assume that they have market power. Southern and Entergy will have the opportunity to rebut during the investigation. While FERC pointed out that the utilities have not had their MBR status revoked and may continue to sell at market-based rates in the interim, any sales made more than 60 days after December 17, 2004 were subject to refunds. The Commission suggested the companies may alternatively seek to establish a cost-based rate, sell at the cost-based rates already on file, or propose their own mitigation measures.

Failing Seasonal Wholesale Screens

FERC's decision came on a rehearing. It reaffirmed, first, that Southern failed the seasonal wholesale market share screen for each of the four seasons. FERC rejected Southern's argument that the economic capacity prong of the delivered price test need not be submitted because a considerable amount of its generating capacity is committed to regulatory load obligations and that can't be used to exercise market power. FERC noted that this was a re-hash of arguments it had already rejected.

FERC then agreed with the comments of ELCON and allied intervenors that Southern may be able to exercise transmission market power though the closed Southern Company power pool, permitting the unregulated Southern Power affiliate to offer transmission services superior to and not comparable to services offered to other unregulated, non-affiliated users. In the case of a transmission constraint, Southern Power benefits from immediate, at-cost support for delivery of contracted energy from other Southern Pool members unavailable to non-affiliated generators.

FERC also broke new ground by considering arguments from industrials that Southern can erect barriers to entry, another prong of the market power analysis. Whether or not Southern controls all undeveloped sites for locating generation, the relevant query is whether Southern controls transmission-advantaged sites.

FERC further expressed concern about allegations of affiliate abuse, recognizing intervenors' concerns that Southern's code of conduct may not prevent it from extending preferential treatment to its unregulated affiliate Southern Power, which would gain unfair access to information under an operating agreement.

FERC therefore determined that it will not only examine Southern's ability to exercise generation market power in subsequent Section 206 proceedings, but also its ability to exercise transmission market power, to erect barriers to entry, and to engage in affiliate abuse.

FERC launched an investigation into whether the Southern pooling agreement is just and reasonable when Southern Power is included in that pool. The proceeding arose from complaints that in the design and implementation of an RFP, Georgia Power and Savannah Electric unduly favored Southern Power, their affiliate, in the evaluation of non-price factors and that Southern Power received undue advantage in the RFP due to access to its affiliate's transmission system.

Southern argued that the proceeding was mooted by withdrawal of the specific power purchaser agreements at issue. FERC disagreed because of allegations of affiliate abuse. Southern Services is alleged to have engaged in a practice of disclosing sensitive confidential information (e.g., advance views of proposed RFPs) to Southern Power while withholding it from non-affiliated bidders. Southern Power can exploit its contractual rights for back up power from the pool, an advantage that it has over non-affiliates.

Entergy

In the third related decision, FERC instituted a broadened Sec. 206 proceeding over whether Entergy satisfied the standards for transmission market power, affiliate abuse, or reciprocal dealing. The decision accepts the comments of Occidental, ELCON and others by broadening the investigation of Entergy's compliance with the market power screens.

Like Southern, Entergy passed the pivotal supplier generation market power test but failed the seasonal market share screen in each season. FERC initially found that Entergy passed the transmission power barrier to entry and affiliate abuse/reciprocal dealing prongs, but on rehearing it decided to broaden the analysis.

Regarding transmission market power, FERC cited complaints from Aquila Power that Entergy violated its OATT and from Calpine that it periodically failed to provide interconnections or foreclosed competitors' access to service. FERC also found credible allegations that Entergy acts as both evaluator and competitor in the RFP process and exempts affiliated wholesale suppliers from having to bid into the RFP, then enters into agreement with them. FERC will consider these allegations in the context of a docket on Entergy's RFP process. E

Chairman's Column

From Page 2

applicable for every customer, but I know from discussions around the ELCON table that there are plenty who would view this market-based opportunity very favorably.

A demand market is not for large customers only. Residential customers could certainly participate. Aggregators could enroll homeowners whose appliances could be programmed to shut down for staggered periods of time in exchange for the hefty payment equivalent to their time-of-use costs. I know one home here in the St. Louis area that would jump at that opportunity.

The bottom line is that the electricity market is unique -- so maybe we should look at unique solutions to solve some of the most complex (and costly) problems. The energy bill that Congress passed this summer has some good first steps. It encourages utilities and state commissions to examine the benefits of demand markets and real-time pricing.

We know that in electricity markets supply has to match demand at all times. But if we don't include demand response, we are considering only half of the resources available to make the market operate at peak efficiency. Unless we ensure that there is an equal opportunity to have demand match supply, we will never have truly competitive electricity markets.

Gary Kajander is Manager, Energy Procurement, for Monsanto

Next ELCON Workshop Oct. 19

ELCON's next Members-Only Workshop, "Electricity Markets -- The Next Generation," to be held in Washington, D.C., will focus on the Domenici-Barton Act and how its provisions will change energy market behavior and direct the Federal Energy Regulatory Commission to initiate numerous rulemaking procedures.

This Workshop is open to ELCON members only, but other manufacturers who are considering membership are invited to contact ELCON (202-682-1390 or www.elcon.org) and request permission to attend.

WHAT IS ELCON?

• **DATE ORGANIZED***:* January 15, 1976

• **WHO WE ARE**: The Electricity Consumers Resource Council (ELCON) is the national association representing large industrial consumers of electricity. ELCON was organized to promote the development of coordinated and rational federal and state polices that will assure an adequate, reliable and efficient supply of electricity for all users at competitive prices. ELCON's member companies come from virtually every segment of the manufacturing community.

• **MEMBER COMPANIES**: Air Liquide • Anheuser-Busch Companies, Inc. • BOC Gases • BP • Bunge Corp. • ChevronTexaco • Colonial Pipeline Company • Corning, Inc. • DaimlerChrysler • Delphi Automotive Systems • E.I. du Pont de Nemours & Co. • Eastman Chemical Company • ExxonMobil Power and Gas Services, Inc. • Ford Motor Company • General Motors Corporation • Honda • Honeywell • Intel Corporation • Monsanto Co. • Occidental Chemical • Praxair • Procter & Gamble • Shell Oil Products • Smurfit Stone Container Corp. • Solutia, Inc. • Tate & Lyle • Weyerhaeuser

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