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Across Country, Consumer Backlash Seen Growing Against New Market Rules

From Maryland to Montana, consumers of all types are making clear that they oppose many of the new rules and regulations being implemented as markets are restructured on both state and regional bases.

Electricity customers in several states have been especially critical of proposed rate hikes. In Maryland, for example, rates charged by the largest utility, BG&E, were slated to increase by 79 percent until the legislature intervened. At least one manufacturing facility, an Alcoa smelter near Frederick, closed because of projected rate increases. Then, over the governor's veto, the legislature passed legislation to hold BG&E's increase to 15 percent and fired the members of the Public Service Commission. (At press time implementation of this provision was being delayed by the courts.)

In Montana, which approved a controversial retail access bill in 1997, several commissioners called for re-regulation. "Rather than tinker with deregulation, just get rid of it. It is a dismal failure," said one.

ELCON President John Anderson observed, "Consumers throughout the country are finding not just unprecedented price increases but a lack of innovation and new product offerings. ELCON members do not believe that this should mean a return to cost-of-service regulation, although that approach is favored by some residential consumer advocates. Policy makers and stakeholders should work together to actually restructure -- not simply re-regulate -- electricity markets so that the markets truly benefit all consumer classes. Cost-of-service regulation did not benefit consumers before, and we see no reasons to expect that it would provide benefits now."

The backlash started roughly two years ago when several national stakeholder groups, along with some Washington-based free-market think tanks, published papers and op-ed articles concluding that today's electricity markets were neither more competitive than markets of an earlier era nor effective at providing additional consumer benefits.

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ELCON to Meet New FERC Commissioners, p. 3

ELCON Petitions FERC Over NERC Issues

ELCON asked FERC to reconsider its order establishing the National Electric Reliability Corporation (NERC) under last year's Energy Policy Act. The act provided for such a national electric reliability organization (ERO), but ELCON has been concerned that FERC's

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ELCON's Spring Workshop

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West Sees Need For Advance Planning

The need for regional planning on future demand for electricity is recognized throughout the West, several speakers told ELCON's Spring Workshop in Portland, Ore. Planning must take place early in the process, and no individual state can proceed piecemeal.

And, it won't be easy.

Scott Gutting, a board member of the Western Electricity Coordinating Council (WECC) and president of Energy Strategies, LLC, Salt Lake City, pointed to difficulties adding capacity and transmission. In regional planning, the "objective is to try to get everyone on board," he said. "Frankly, that is not going to happen."

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Cal., Texas Markets Under Revision

California and Texas are in the process of developing their electricity market structures -- but in markedly different ways.

The California market is engaged in a "market redesign and technology upgrade" (MRTU), which is all about "correcting mistakes," according to Farrokh Rahimi, principal market engineer for the California ISO (CAISO).

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I'll Know Real Competition When I See It

By Joe Marone, ELCON Chair

Industrial energy managers used to have a much simpler life. We dealt with the monopoly utilities, we tried to negotiate our industrial rates as well as we could, and when we entered those negotiations, even as large consumers, we had very little choice and very little leverage. We were price takers, not price setters, and we knew it.

We wanted markets with more customer focus, and we thought that more choice -- through the establishment of truly competitive wholesale and retail electricity markets -- might be the answer.

About 15 years ago, we began to see change that we thought would be for the better. In 1992 Congress passed the Energy Policy Act which, in electricity parlance, created a new class of market participants called exempt wholesale generators, or EWGs. In real-world-speak, this meant that electricity could be generated by an independent company or by an unregulated subsidiary of a regulated generator. As electricity buyers, we thought this would stimulate competition. New generators, looking to make a profit in a competitive marketplace, would seek to be more efficient, and we looked forward to lower prices.

But we never saw that competition develop. Because transmission owners were, shall we say, less than enthusiastic about carrying some other company's power at the expense of their own, the new generators could not get their electricity to potential customers. No mystery to me. I can well understand why a corporation that invested millions of dollars in transmission lines wouldn't want those lines to benefit its competitors.

So FERC got into the act and approved Order 888 (named, incidentally, after the address of FERC's then-new building at 888 First Street in Washington). That was supposed to end discrimination in transmission. Any company owning transmission facilities had to treat power from any other generator in a nondiscriminatory manner. Good intentions, but it just didn't seem to work. As long as utilities had control of their transmission, FERC regulation or no FERC regulation, they were not going to provide truly nondiscriminatory access.

FERC carried on by creating incentives for utilities to place their transmission under the operational authority of independent system operators and called it Order 2000. Again, in theory the move seemed right. Independent System Operators, and their close relatives, Regional Transmission Organizations, would surely, we thought, provide the framework for an open transmission system. And an open transmission system, we believed, would allow all consumers access to lower-cost electricity. If only that were the case.

What we found instead was a series of regional transmission organizations, mostly in the Northeast, whose governing structures were tilted toward utilities and whose policies reflected that bias. Under the guise of deregulation, we got re-regulation. And most of that re-regulation was anti-consumer. We saw day-ahead markets gain dominance with the general acceptance of a single-price auction, where owners of low-cost generation received the same price for power as the owners of high-cost generation. Put another way, consumers paid a higher than justified price for electricity.

We saw a series of proposals generically called capacity markets where owners of new and existing generation received payments for simply being owners of generation. The thought was that this would provide an incentive to build new generation. In New York they've had a capacity market for over two years, and the last time I checked no one has applied to build any new generation at all. In a truly competitive market, shouldn't the laws of sup-

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Where's the Beef? Industrials Ask of Interagency Report

ELCON and several national, state and regional industrial electricity user groups suggested a recent interagency task force's draft report on electricity competition came up short in answering the question of where market competition actually exists.

"Where's the beef?" asked ELCON President John Anderson. "The task force did a good job of observation, but unfortunately they didn't answer the basic question."

The Electric Energy Market Competition Task Force, created by the Energy Policy Act of 2005 and made up of representatives from the Dept. of Energy, Dept. of Justice, Federal Trade Commission, Rural Utility Service of the Dept. of Agriculture and FERC, submitted a draft report to Congress in early summer.

"The draft report clearly warns that the intended results of competition are not evident," ELCON noted.

The report showed that the market is dominated by contracts of less than one year in the regional markets examined. "A market that cannot provide long-term contracts is not customer-focused," ELCON said. "Customers need the ability to budget and plan on a multi-year basis."

Utilities, generators and market operators say consumers are saving money because of competition, but "We customers just don't see it," Anderson said.

The draft report also did not address the role that FERC's "substantial and frequent approval of market-based rate authority has played" in the electric industry restructuring effort, ELCON's filing noted. FERC has contributed to "the growing mismatch" between expected and actual outcomes of restructuring, according to ELCON. E

ELCON to Meet with New FERC Members

ELCON will be meeting with new FERC Commissioners Marc Spitzer and John Wellinghoff in conjunction with an ELCON committee meeting in September, and new Commissioner Phil Moeller will speak at an ELCON luncheon Oct. 17, the day before ELCON's Fall Workshop (see related story, p. 5).

The Senate confirmed the three new Commissioners in July. They join incumbents Joe Kelliher (chairman) and Suedeen Kelly. Commissioner Nora Mead Brownell stepped down.

"For the past year, FERC has functioned very well with only three Commissioners," said ELCON President John Anderson. "But it still has a full plate. Review of Order 888 and overseeing the creation of a national electricity reliability organization will keep the Commission busy. I am pleased we will have the opportunity to meet with the new Commissioners early in their terms."

Backlash Growing

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Several academics, including Nobel laureate economist Vernon Smith and Carnegie Mellon professors Lester Lave and Jay Apt, authored analyses questioning whether electricity markets had become more efficient than they were before restructuring.

Similar voices were heard from the manufacturing sector. For example, the PJM Industrial Consumer Coalition (PJM-ICC) released its "White Paper: What Large Commercial & Industrial Customers Need from the PJM Marketplace" in December 2004 and ELCON published "Problems in the Organized Market," in April 2005.

"ELCON members started voicing their complaints with the so-called organized markets at least a year before we did our paper," said ELCON President John Anderson. "Our members were among the first to advocate competitive electricity markets." They quickly realized that what they were seeing may have been restructured electricity markets, but they were hardly competitive electricity markets, he said.

"They expected to see lower prices and innovative products and services," Anderson continued. "But what they saw instead were a series of new, mostly anti-consumer, regulations that benefited incumbent utilities and generators, but provided no benefits for consumers."

Utilities claim their price increases result from increased costs for fuels such as natural gas, but those operating outside of organized markets using the same percentage of natural gas have much lower rate increases, Anderson said. Fuel price increases are not the main reason consumers in states like Maryland have seen rates go up, he said. The main reason is the market structure.

Anderson pointed to the single-price auction used in the day-ahead market as a primary cause of consumer woe in the organized markets.

Rate increases are being proposed at the same time utilities are making record profits.

"The single-price auction allows all generators to receive one price that is, simply put, determined by the least efficient generating unit -- usually a natural gas peaker -- operating at the time," he said. "Consumers lose the cost efficiency of low-cost coal and nuclear plants because the power generated from those facilities is priced at the same high level as power generated from a high-cost, gas-fired peaker. There are no benefits from fuel diversity. In a competitive market this would be counter-intuitive."

Action was also under way in several other states:

- In Connecticut, in response to a proposed 72 percent rate increase while nuclear plants allegedly enjoyed profits of 44 to 53 percent, the attorney general proposed a windfall profits tax and the establishment of a state power authority able to build generation. One state legislator on the Energy and Technology Committee said "deregulation is a failed experiment and relying on the market to lower prices does not work."
- In Delaware, the governor created a Cabinet Committee on Energy after rate increases from 59-100 percent were proposed by the local utility. Utilities will now have to meet fuel portfolio standards designed to produce lower prices.
- The Maine PUC, in reaction to FERC approval of the forward capacity market for New England, opened a formal investigation to examine options for leaving the New England ISO and joining the Canadian grid. The PUC, along with the state public advocate and others, requested a rehearing on FERC's action.
- In Pennsylvania, which seemed for a time to have the most success in implementing competition in retail markets, rates for Pike Power and Light customers went up 73 percent, leading Pike County Commission Chairman Harry Forbes to state that "there is no competition, and that's what this was supposed to be all about."

"And the most amazing part," Anderson proclaimed, "is that these rate increases are being proposed at the same time the utilities are making record profits. For example, Constellation Energy Group earned almost 30 percent return on equity, and .Exelon earned over 23 percent. To me this is further proof that the system is out of balance and the markets are not working -- at least not working to the benefit of any consumers."

Advance Planning
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To illustrate where disagreements might arise, Gutting cited the desire of utilities in WECC to maintain reserve margins of 15-18 percent while industrial electricity users, whom he represents, recommend margins of 12 percent as being much less costly.

"As industrials," he asserted, "we don't want the system overbuilt."

Armando Perez, the California ISO's (CAISO) vice president for planning and infrastructure development, called regional planning "very important." He said he expects to a see a "series of subregional planning groups" emerge to work on the issue and develop policy recommendations.

William Keese, co-chair of the Western Governors Association's Advisory Committee on Clean and Diversified Energy, reported that governors are united in recommending a 30,000 MW increase in generation capacity by 2015. This would be accompanied by efficiency improvements and an expanded transmission system.

All of this can be accomplished "without structural changes" by relying on best practices already available, he said.

California, by far the largest consuming state in the West, requires electricity imported into the state to meet strict emission standards, Keese said. But, state law prohibits consideration of any increase in nuclear power until a national nuclear waste repository is approved.

Farther north, a new group, ColumbiaGrid, has organized (see related story). One of the group's short-term objectives is planning and expansion of the transmission grid, while a long-term objective is to provide regional planning service. E

WECC, ColumbiaGrid Overlap Territories

The Western Electricity Coordinating Council (WECC) is "a different organization than it used to be," according to WECC board member Scott Gutting, president of Energy Strategies, LLC, and an advocate for large industrial electricity users.

WECC in 2002 succeeded the Western Systems Coordinating Council (WSCC), formed in 1967, when WSCC merged with the Southwest Regional Transmission Association and the Western Regional Transmission Association. It has 170 members comprising utilities, independent power producers, consumers, regulators and others. Fully half of WECC's load is located in California.

Gutting told ELCON's Spring Workshop that WECC's functions include acting as electric reliability organization for the western region, implementing reliability standards, setting operating standards, conducting transmission impact studies, providing transmission expansion services, and working on commercial issues that impact reliability.

At the same time, the newly formed ColumbiaGrid has some geographic and operational overlap with WECC. ColumbiaGrid coordinator Kristi Wallis, another speaker at ELCON's Workshop, said the group will operate not as an ISO or RTO but as "an entity to assist in the integration of different central systems." It will also "maintain reliability in the face of ever increasing stresses on the system," she said. Wallis described services such as planning and expansion, reliability, the operation of a common Northwest OASIS, and market monitoring.

For now its members are all utilities -- most of them in Washington State. E

Cal., Texas Markets
From Page 1

Meanwhile, Texas continues to build on its unique situation in which the Public Utility Commission deals with wholesale and retail markets.

Speaking at ELCON's Spring Workshop in Portland, Ore., Rahimi recounted changes in California's electricity markets since the passage of the first restructuring bill, AB 1890, in 1996, directing all power generated by investor-owned utilities to a power exchange and virtually eliminating long-term contracts.

The MRTU will not have a power exchange and will encourage bilateral contracts, Rahimi said. Eventually about 85 percent of the power in California is expected to be sold via long-term contracts, which he said "minimizes exposure to spot market prices" and "promotes demand response."

The MRTU will enable power suppliers in CAISO to offer a three-part bid comprising energy, transmission congestion, and ancillary services costs. But, the three parts will "clear simultaneously," according to Rahimi. CAISO also is slated to begin bid-based locational marginal pricing in November 2007.

Armando "Army" Perez, CAISO's vice president of planning and infrastructure development, noted that ultimately 25 percent of California's consumer power must be imported. To accomplish this, effort must be coordinated among CAISO, the state Public Utility Commission and the California Energy Commission (CEC). Building a successful market in California highlights the "need to utilize the strengths of each," Perez said.

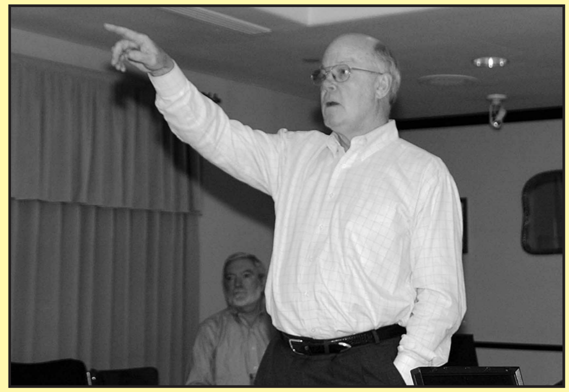
Such separation of authority does not exist in Texas, most of which is in one regional market, the Electric Reliability Council of Texas (ERCOT), which has developed its own wholesale market structure. Eric Schubert, senior market economist in the market oversight division of the Public Utility Commission of Texas (PUCT), told ELCON's Workshop the four fundamentals of the ERCOT market are (1) easy interconnection of generation; (2) aggressive investment in transmission; (3) socialized payment for all transmission; and (4) the encouragement of bilateral contracts.

He said there are no capacity markets because Texas Commissioners believe capacity markets are "subsidies that once established would be hard to end."

Using "energy-only" markets means "retail market success and demand-side innovations will likely reinforce each other," he said.

When questioned about whether an energy-only market could succeed, he responded that it's a "complicated issue, but it can work." E

ELCON's Spring Workshop



Left: Armando "Army" Perez, California ISO (left), Scott Gutting, Energy Strategies.
Right: Bill Keese, Western Governors Association

Left to right: John Hughes, ELCON; Bill Keese, Western Governors Association.; Armando "Army" Perez, California ISO; Kristi Wallis, ColumbiaGrid; Farrokh Rahimi, Cal. ISO

ELCON Workshop Scheduled for Fall

ELCON's Fall Workshop, "Your Next KWH -- Options in Muddled Markets," will be held October 18 in Washington, DC. As always, the Workshop is open only to ELCON members, but manufacturers seeking to join ELCON are also invited to attend.

The Workshop will focus on choices industrial electricity users are facing in regulated, unregulated, and "hybrid" markets. It will include presentations on how manufacturers can increase on-site generation, make use of demand response, or develop innovative supply options using non-traditional means. Confirmed speakers include Dianne Munns, president of the National Association of Regulatory Utility Commissioners and co-chair of the National Action Plan for Energy Efficiency, and Howard Gruenspecht, deputy administrator of the Department of Energy's Energy Information Administration. E

NERC Issues

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nomination of NERC to fulfill the role comes absent adequate criteria to guide the private entity. FERC cannot "subdelegate" regulatory authority, ELCON said.

ELCON is also concerned that NERC is misinterpreting the law's requirement for "users" of the bulk power system to be registered and made subject to forthcoming reliability standards. Some ELCON members have already been notified they are on NERC's compliance registry even though the facilities in question could have little or no impact on grid reliability, ELCON told FERC.

The law states that the ERO's standards should apply to "owners, operators and users of the bulk power system," but the term "users" is not specifically defined. Being subject to NERC reliability standards could mean that each facility would be subject to specified operator training, on-site inspections, and other requirements -- possibly to the point where internal corporate email systems would have to meet specific ERO standards.

ELCON has advocated that only facilities with the potential to have a "material impact" on the grid should be subject to NERC reliability. ELCON has been communicating with NERC since it was named the national ERO about how it will operate and how its reliability standards will affect industrial consumers and other end users.

ELCON urged FERC to "adopt a definition of user that excludes entities unlikely to have a material impact on reliability." Manufacturing facilities are retail customers, subject to state regulation and therefore, by definition, are not users of the bulk power system.

"Reliability of the grid is of paramount importance to industrial customers -- after all, American manufacturers suffered billion of dollars in lost sales and lost product during the August 2003 blackout," said ELCON President John Anderson. "We do not want a repeat of that event. But FERC and NERC need to focus their attention and resources on those entities that have a real impact -- a material impact -- on the grid. FERC's earlier order will not accomplish that. That is why we are asking FERC to re-examine the issue and make a new determination."

ELCON is also concerned with other actions required of NERC as a result of being named ERO. For example, what role will regional entities (REs) play in the new ERO, both in terms of their voting strength in the ERO decision-making process and their ability to independently develop and/or implement regional reliability standards?

"There is not much in the way of formal legislative history to determine congressional intent," stated Anderson. "But we can all see what the statute says, and in several provisions it does not give NERC much leeway. We hope that FERC fulfills the role it has been given by law and that the result is a process for developing standards that ensures a reliable system without impeding commercial activity or the furtherance of competitive markets." E

ELCON Activities Before The Federal Energy Regulatory Commission

Proposed Rules to Amend Order 888, Set Market-Based Rates Praised

ELCON and other industrials commended proposed FERC amendments to Order 888 as a way to address the continuing problem of market discrimination. The proposal "is not just important, it is imperative," ELCON President John Anderson said.

The amendments are aimed at providing an open, nondiscriminatory transmission grid by establishing Open Access Transmission Tariffs (OATTs) -- i.e., ensuring all transmission sales are treated equally. They have been a long goal of FERC Chairman Joe Kelliher, who has stated he believes OATT rules were deficient and not achieving their objectives.

Specifically, the proposal calls for consistency and transparency in the calculation of available transmission capacity; regional coordination and transparency in transmission planning; reform of transmission pricing to eliminate imbalances; new rules under which a transmission provider must offer rollover rights and hourly, firm, point-to-point service; posting of all business rules, practices and standard by transmission providers; and increased enforcement.

Despite the good intentions of Orders 888 and 2000, some utilities refuse to open up their transmission facilities to competing generators or to cogenerators seeking access, ELCON said.

Ongoing problems include the so-called native-load exemption, industrials agree. How utilities determine available transmission capacity is a particular concern since, under current rules, they have the discretion to favor themselves and their own customers over third-party customers.

The proposal to impose new requirements for coordinated, open and transparent planning drew praise from the industrials, who agree with FERC that Order 888 does not contain sufficient protections to guard against undue discrimination in transmission system planning.

According to ELCON, that can contribute to "a chronically under-built transmission infrastructure." One of FERC's most intractable problems is the inability of the electric industry to adequately maintain and upgrade transmission facilities to meet the needs of customers and the economy.

Order 888 "was an important and positive step forward, but it was woefully insufficient," Anderson said. Order 2000 attempted to fix these shortcomings of Order 888, but the results have been "somewhat mixed, if not outright disappointing," Anderson said.

Market-Based Rates

Proposed rules from FERC on market-based rates have the potential to overcome a "crisis of confidence" among consumers if they truly address flawed market designs, according to ELCON comments.

Among other features, the proposal would prohibit sales between a franchised public utility and any of its non-regulated affiliates without first receiving FERC approval, and it would require a uniform code of conduct to govern inter-affiliate power sales, both of which ELCON supports. Affiliate power sales can have an adverse impact on captive customers -- i.e., end users that do not have realistic competitive opportunities.

Market power abuse "is by far the greatest problem consumers face when dealing with electricity markets, ELCON President John Anderson said. In some parts of the country, the problem has worsened over time, he said.

ELCON has particular concern over "hybrid" markets that combine regulated and unregulated features in the same region. In a hybrid market, "the ability of large utility holding companies to have one foot in 'competition' and another in 'regulation' creates a myriad of potential problems that are not easily solved," ELCON said.

One solution for utilities operating in several markets would be for FERC to suspend "the right of any seller that can exercise market power to sell at market-based rates in all markets it can access."

Other points made by ELCON:

- FERC's test for generation market power should eliminate any benefit of the doubt now given to sellers. Current policy shifts the burden to "potential victims," which is unfair.
- The open access tariff (as modified) should not be presumed adequate to mitigate transmission market power. Transmission market power should be the subject of a separate rulemaking.

"Market-based rates must be consistent with the Federal Power Act," stated Anderson, "and that Act sets a standard of 'just and reasonable' rates. With electricity markets in transition, now more than ever FERC needs to ensure that statutory standard is met in all markets."

MISO -- 'Last Great Hope'?

ELCON told the Commission that, among FERC-jurisdictional RTOs, the Midwest ISO (MISO) brings "perhaps our last great hope" for creation of truly competitive conditions in the electricity market.

The comments said, "ELCON continues to believe that, if competition can be made to work, it should be encouraged. Within the regional markets subject to FERC jurisdiction, the efforts of the Midwest ISO are perhaps our last great hope this may happen."

ELCON is hopeful -- though not necessarily optimistic -- that MISO's proposed structure "can provide the kind of benefits that we know a truly competitive market can offer."

Ideal preconditions include the following, ELCON said in its filing:

- Suppliers sufficiently risk-averse to being exposed to spot energy prices that they willingly negotiate bilateral contracts without the risk premiums typically found in contracts offered in the other organized markets.
- Prices set by supply and demand due to interaction between generators, price-responsive loads and price caps set at the average of "value of lost load."
- A predominantly forward wholesale market with only limited purchases in the spot market.
- Transmission adequate enough that the local market power of generators is eliminated or mitigated by the independent market monitor.

ELCON members "keep hearing about how successful the organized markets have been in promoting competition," ELCON President John Anderson said. But, outside of ERCOT territory, "we don't see any successes or increased competition," he said.

MISO's plan, which includes proposed resource adequacy requirements, "cannot be implement piecemeal," Anderson emphasized. "We have already had to many compromises on the way to competition."

Anderson also noted that "these proposed rules were developed by one set of Commissioners and will now be decided by a somewhat different set. It remains to be seen whether the core philosophy of FERC has changed. These three issues will certainly be test cases." E

Chairman's Column

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ply and demand preclude the need for regulatory fixes?

Legislators and regulators have come up with one proposal after another to create supposedly competitive wholesale and retail electricity markets, and in almost every case the result has been less competition and higher prices. I don't think our policy makers had evil intentions. They were the just victims of unintended -- though possibly foreseeable -- consequences.

I don't mean to criticize all ISOs and RTOs. The Midwest ISO is trying some new approaches. I am hopeful, though not optimistic, that there may be some positive results. And in my home state of Texas we see the ERCOT market that seems to be structurally sound, though high natural gas prices continue to be a problem (and I keep hearing proposals to add some of the features from the eastern RTOs that we find objectionable).

The kicker in all these developments is that utilities operating in the RTOs and ISOs -- utilities that have both regulated and unregulated assets -- are making record profits. And then they have the nerve to proclaim that consumers have actually saved money. They say this is all due to restructured markets and the new rules imposed by RTOs and ISOs (a few of the utilities and several RTOs and ISOs have hired consultants to "prove" that those savings to consumers).

Why haven't consumers spoken up and said the same thing? Quite simply, because no consumer -- industrial, commercial, or residential -- that I know of would agree that today's markets are offering any kind of consumer benefits, lower prices, or innovative products. But, when anybody criticizes these RTOs and ISOs, they are accused of being anti-restructuring and anti-competition. Irony of ironies.

That gets me to my point. Criticism of today's restructured and organized markets is not the same as criticism of competition. A regulator in Texas recently asked me why industrial customers no longer support competition. I asked him which competition he was talking about, because (granting MISO and ERCOT some positive attributes) I haven't seen true competition anywhere. I asked him to let me know when he found a market with real competition.

In conclusion, here is one person's set of observations, but I know it is shared by industrial energy managers throughout the country.

Legislators and regulators, as well as many economists, physicists, and consumers, thought that competitive electricity markets would help end users by providing lower prices, more choices, and innovative products and services. But somewhere on that path to competitive markets we took a wrong turn -- not intentionally perhaps, but a wrong turn nonetheless. That doesn't mean that competition hasn't worked, it means we really haven't given competition the chance that it deserves. Among other things, we need to see independently governed RTOs, real market power monitoring, greater recognition of how demand response can be utilized, and a market structure that encourages long-term bilateral contracts.

When we've truly tried competition, when we have seen truly open markets in operation, when customers become price setters instead of price takers, that is when we can evaluate competitive electricity markets and determine whether they are good for consumers.

Until then, speaking for most industrial energy managers I know, I am for truly competitive electricity markets. And I can't wait till I see one for the very first time.

Joe Marone is Director, Power Purchasing, for Occidental Chemical

Learn more about ELCON and our activities at our web site, www.elcon.org

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 • Alcoa • Anheuser-Busch Companies, Inc. • BOC Gases • BP • Bunge Corp. • Chevron • 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 • Johns Manville • Monsanto Co. • Occidental Chemical • Pioneer Chemical LLC • Praxair • Procter & Gamble • Shell Oil Products • Smurfit Stone Container Corp. • Solutia, Inc. • Tate & Lyle • Weyerhaeuser

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