

Clearing Up [Energy News Data]
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Showalter Resumes The Dereg Battle

By Cyrus Noe

Marilyn Showalter returned my call from Washington, D.C., where she reported that a number of policy wonks have assured FERC that electricity deregulation, despite some rough spots in the road, was moving along and working just fine. She is committed to an opposite view. That is to say, professionally committed.

Since she left her job as executive director of the Public Power Council in Portland at the end of January, she's been executive director of Power in the Public Interest (CU No. 1273 [2/17], No. 1268 [2/20]). In an announcement, PPI said it is "a new coalition dedicated to influencing the debate over state and federal electricity policies."

Specifically, PPI believes deregulation is turning out not to be in the public interest.

The release quoted Mark Crisson, director of Tacoma Public Utilities: "There is mounting evidence that electricity deregulation is a deeply flawed experiment that has failed to deliver the promised benefits to consumers. Electricity markets are a means to an end, and the end is consumer benefit. If markets aren't working for the consumer, they aren't working."

Tacoma is one of eight public entities now supporting PPI: Imperial Irrigation District, Large Public Power Council, Municipal Electric Authority of Georgia, Northern California Power Agency, SMUD, Santee Cooper (South Carolina) and Southern California Power Authority.

This assignment is not all that new for Showalter. During her six-year term chairing the Washington Utilities & Transportation Commission, she worked tirelessly at the national level against FERC's Standard Market Design. FERC finally did withdraw SMD after Joseph Kelliher succeeded Pat Wood as FERC chair. The response far and wide to that withdrawal was "Marilyn won!"

The PPI announcement calls the national dereg scene critical. "As rate electricity rate caps have expired, electricity consumers in Connecticut, Delaware, Illinois, Maryland and Texas are facing sticker shock, as their bills threaten to increase by as much as 72 percent. Pennsylvania and Virginia are attempting to avoid similar rate increases when their rate caps expire."

In addition, "California, with FERC's approval, plans to implement a new wholesale market design in January 2008. Some industrial customers and energy intensive high-technology companies have decided that the high-energy prices accompanying electricity competition undermine their competitiveness, and they have opted to relocate to states that rejected deregulation. Given the problems with deregulation, lawmakers in states like Montana are considering a return to more traditional regulation."

What will PPI do?

"We want to help state and federal policy makers evaluate the apparent problems with competitive-market designs and make sure that the fixes go in the right direction. Marilyn was the obvious choice to help this organization accomplish its goals," Crisson said.

To add my own observation, I've been concerned that putting power supply in the marketplace works to make a power-at-cost basis vanish. In many market situations, there is no constraining relationship between the cost of a resource, and what its output sells for at a particular time and place.

I think the market works for the benefit of consumers when competition operates in a context of alternatives. There is no real-time alternative to a base-line electricity load requirement.

Showalter says there is solid evidence that all-class consumer power rates are higher in deregulated states. "Many states and regions regret the experiments they undertook with deregulation, but remain unsure of solutions to their problems," Showalter said in the release. "Other states and regions chose not to deregulate and want to maintain the local and state accountability that have worked well for their citizens and businesses. At the same time, FERC is undertaking a needed review of how restructuring is working at the wholesale level."

Showalter added that PPI hopes "to be a constructive voice at all levels--state, regional, and federal. We need a sustainable electricity system that is accountable to consumers and provides them with reliable, safe, and fairly priced electricity over the long term."

FERC today is not the same creature as it was in the days of SMD, having as it does new members and less doctrinaire viewpoints. The presence of a group like PPI dedicated to policy positions outlined above can be effective indeed with the newer FERC.

Other institutions out there in our reader pool sympathetic to what Marilyn and PPI are doing might want to take out the checkbook and join PPI. Access details can be found at www.ppinet.org