Consumer Experience in RTOs and non-RTOs

Marilyn Showalter
Executive Director
Power in the Public Interest

April 10, 2007, Washington, D.C. FTC Energy Conference   mshowalter@ppinet.org

Metric: end-user, over time

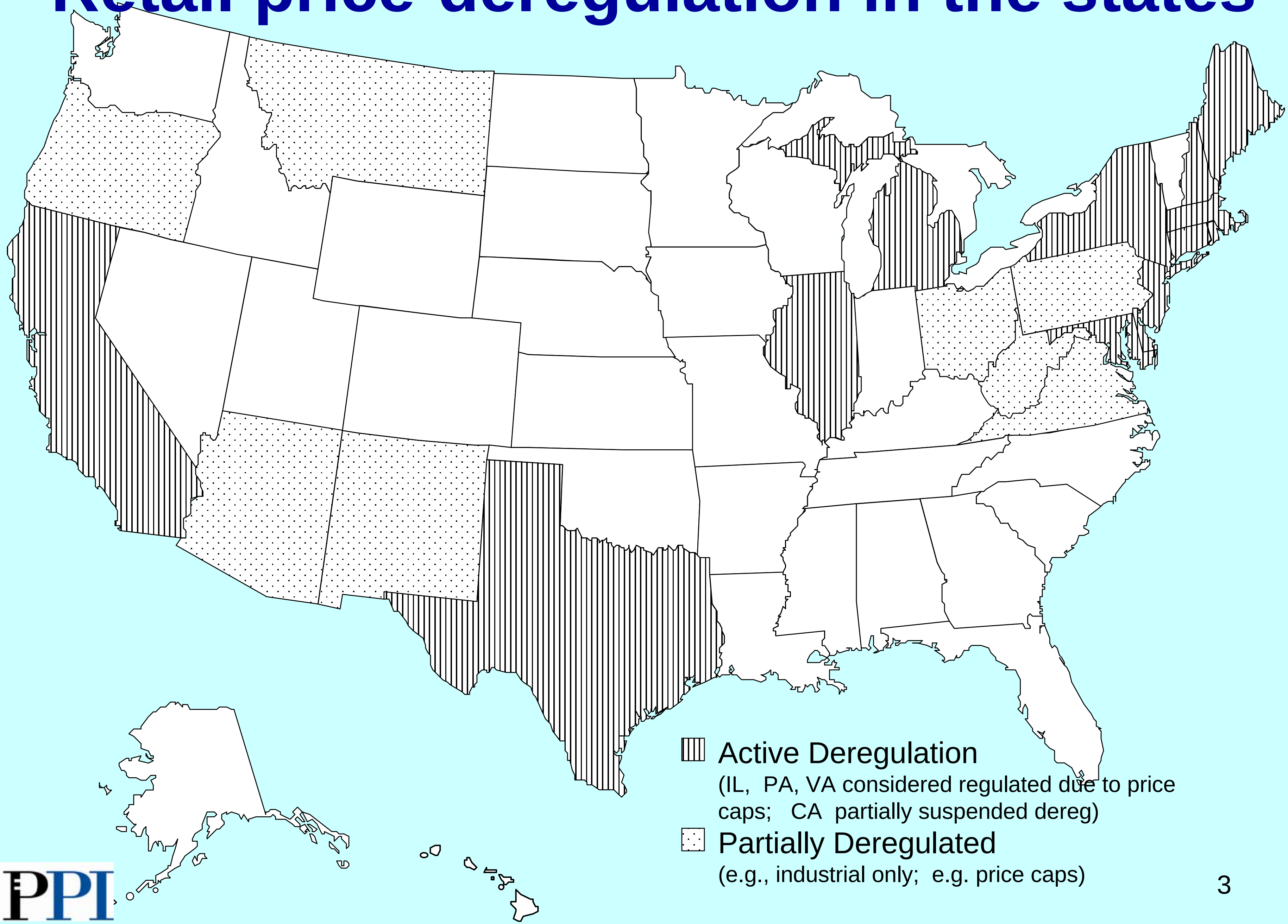
Consumers deserve

- Available
- Reliable
- Cost-effective
- Fairly priced
- Publicly accountable

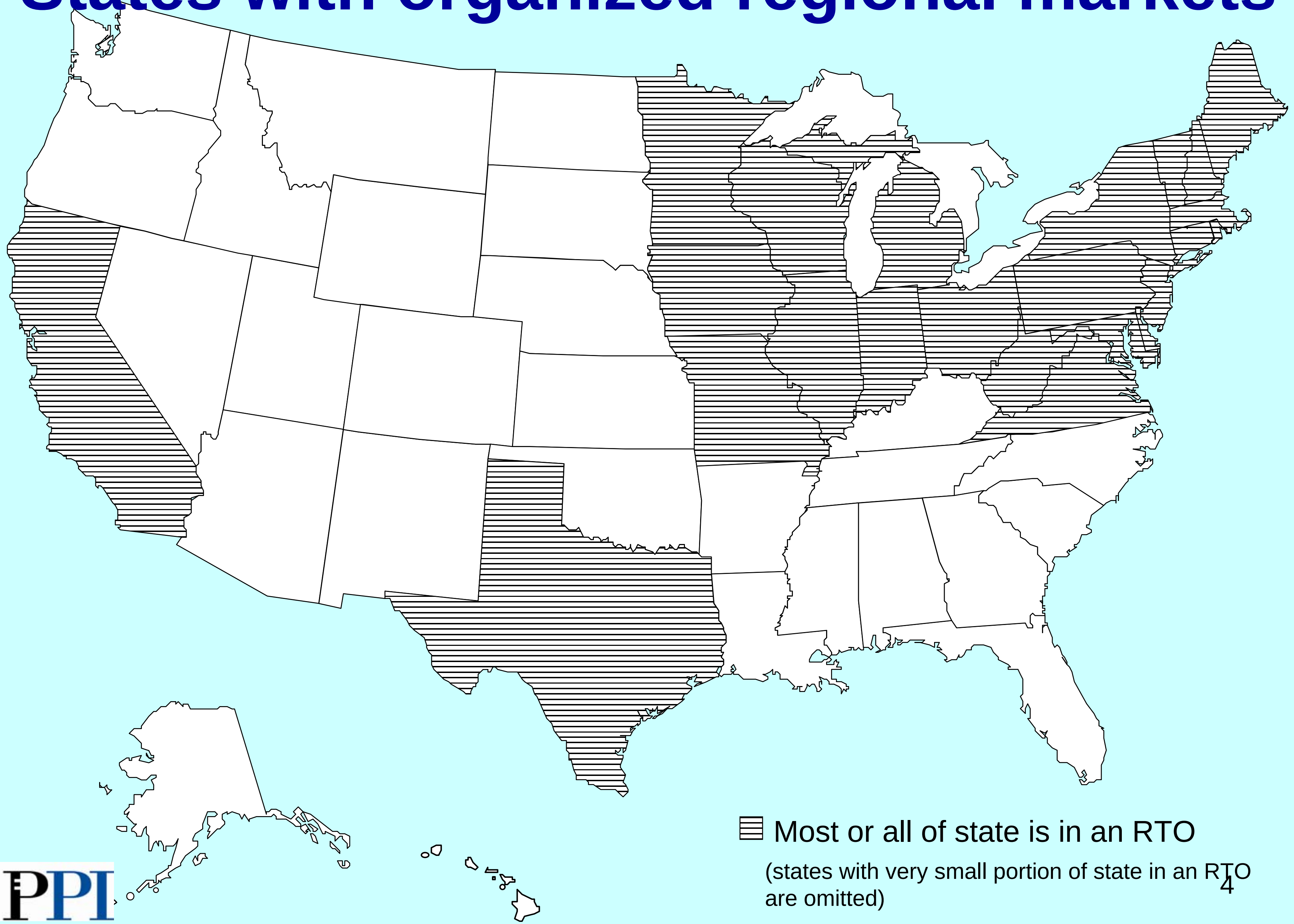
Electricity system

PPI

Retail price-deregulation in the states



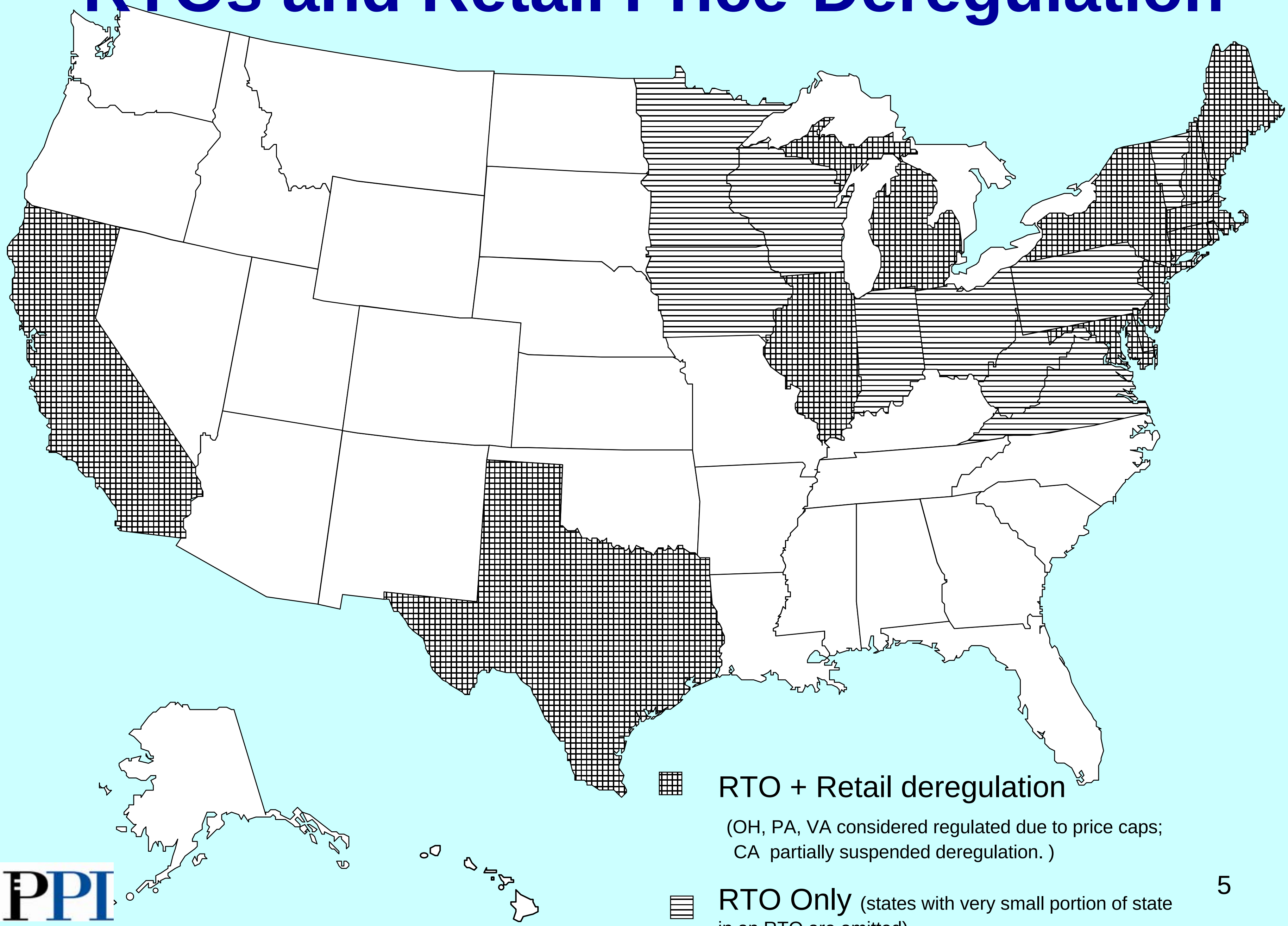
States with organized regional markets



Most or all of state is in an RTO

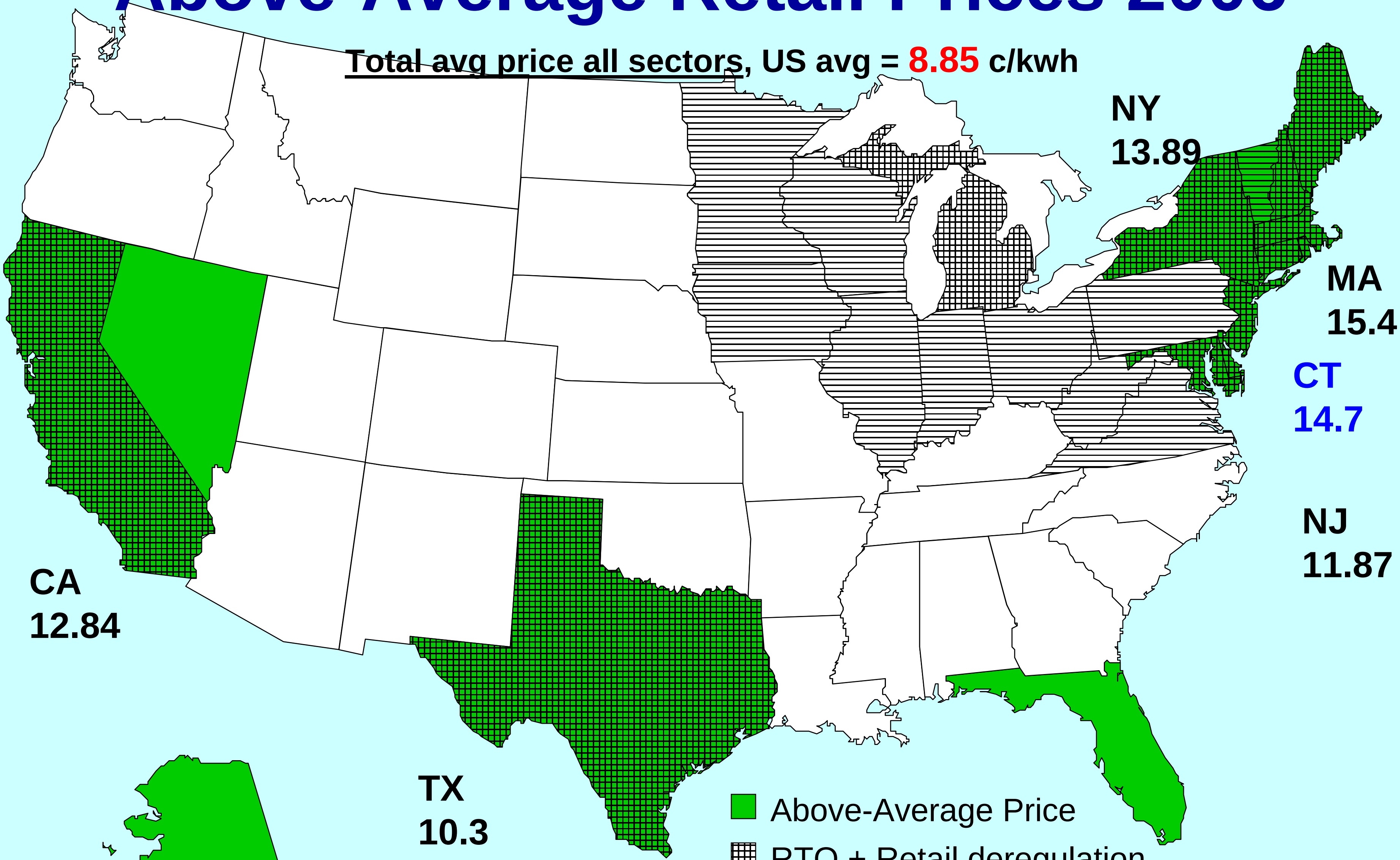
(states with very small portion of state in an RTO are omitted)

RTOs and Retail Price-Deregulation



PPI

Above-Average Retail Prices 2006



Above-Average Price

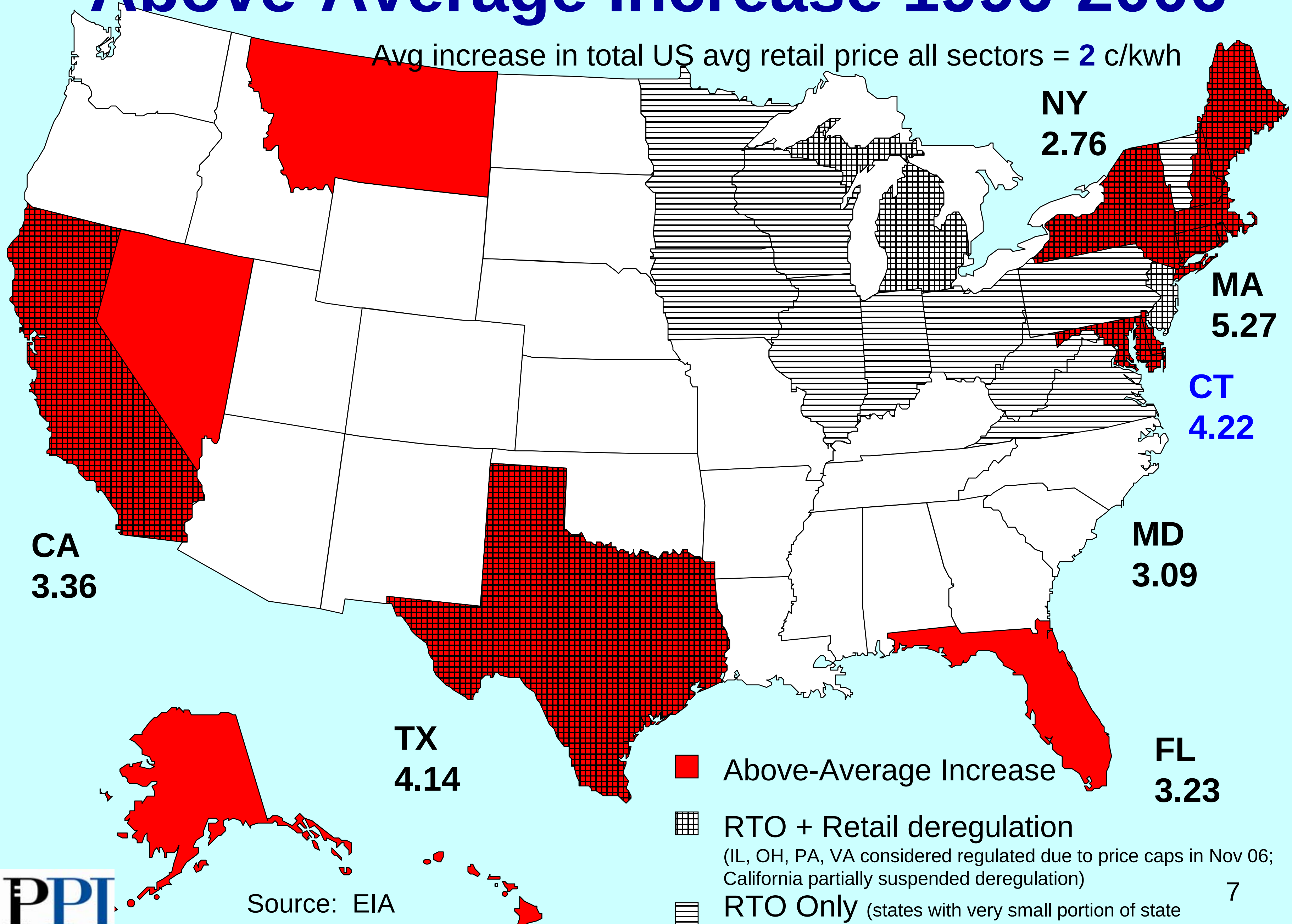
RTO + Retail deregulation
(IL, OH, PA, VA considered regulated due to price caps in Nov 06; CA partially suspended dereg)

RTO Only (states with very small portion of state in an RTO are omitted)

Source: EIA

Above-Average Increase 1996-2006

Avg increase in total US avg retail price all sectors = **2** c/kwh



Above-Average Increase

RTO + Retail deregulation
(IL, OH, PA, VA considered regulated due to price caps in Nov 06; California partially suspended deregulation)

RTO Only (states with very small portion of state in an RTO are omitted)

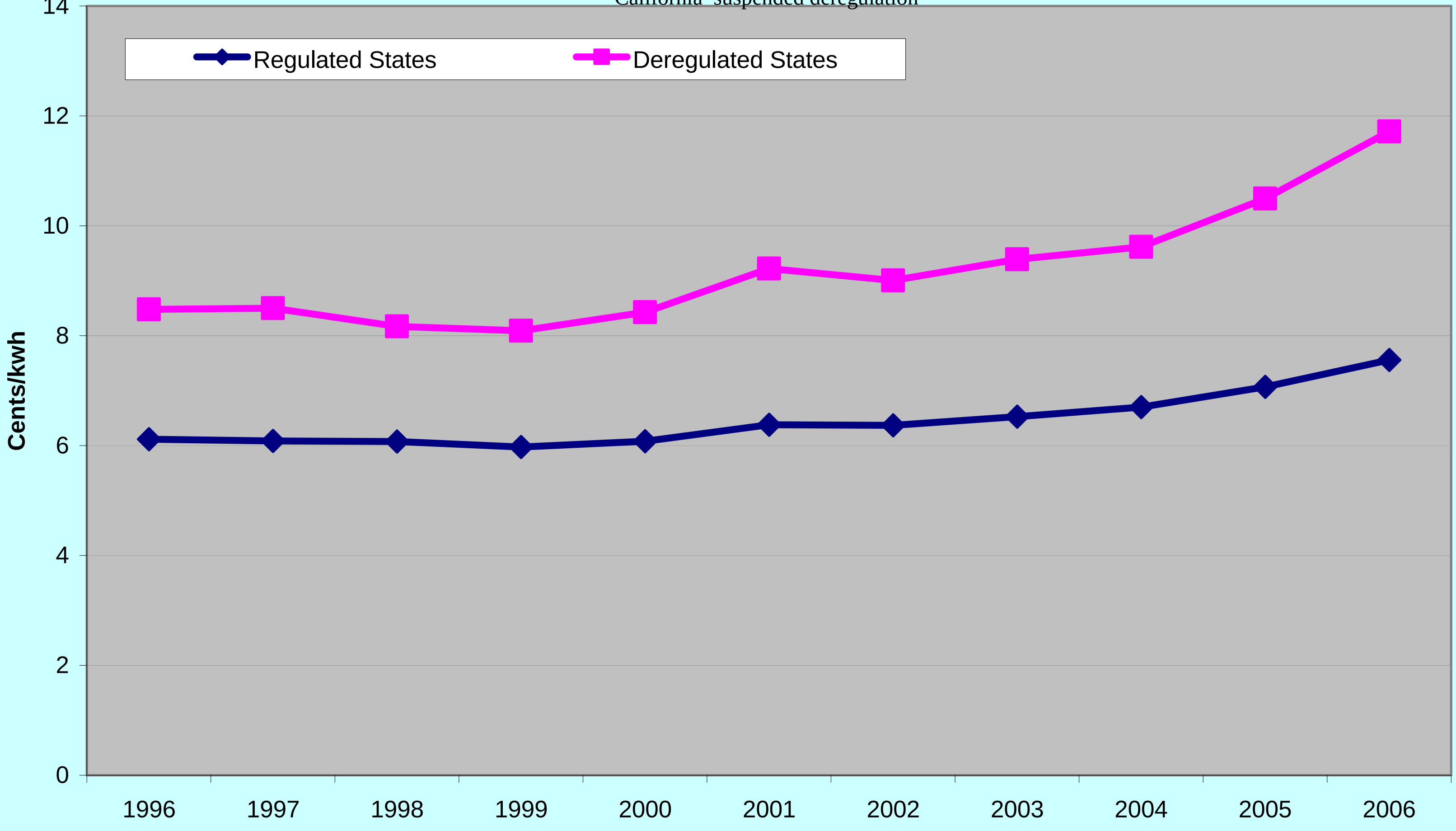
Source: EIA

PPI

Total Retail Electricity Rates
Regulated States vs Deregulated States

Note: IL, OH, PA, VA are included in regulated states, due to price caps. Deregulated states include CA, CT, DC, DE, MA, MD, ME, MI, NH, NJ, RI, TX

California suspended deregulation



Source: Energy Information Agency

Definitive “causation” requires more data and more analysis

- Timing of restructuring/deregulation moves
- Differences in specific measures
- Composition of fuel supply
- Variance in load growth
- Variance in temperatures (degree days)
- Shifting boundaries of RTOs
- Lag time in data
- Lack of data

But some tensions are evident

especially in states with retail dereg *and* RTOs

- Scarcity pricing v reliability mandate for non-scarcity
- Volatile (scarcity) prices v consumer desire for stable prices
- Cyclical prices v burden among generations of customers
- Marginal pricing in inclining-cost era v avg cost advantage
- Short-term price signal v long-term investment needs
- Incentive to maintain scarcity v need to invest
- Reality of collective market behavior v competitive assumption
- Customer choice v increased risk & cost without captive base
- Customer “choice” v customer dissatisfaction
- RTO governance v demand for stronger public accountability

By comparison, in more more-traditionally regulated areas

- Lines of accountability remain intact
- Prices generally lower and more predictable
- Customer satisfaction higher
- Customer base supports long-term investment
- Demand-response, IRPs at least as do-able
- Concern that RTO prices will affect non-RTOs

PPI

Marilyn Showalter

Marilyn Showalter is Executive Director of ***Power in the Public Interest,*** which promotes state, regional, and federal electricity policies that benefit consumers over the long term.

Prior to her current position, Ms. Showalter was Executive Director of the Public Power Council, in Portland, Oregon. She also served for six years as Chairwoman of the Washington Utilities and Transportation Commission, which regulates investor-owned utilities. She is also a former President of the National Association of Regulatory Utility Commissioners (NARUC).

A graduate of Harvard College and Harvard Law School, Ms. Showalter has served in a number of governmental capacities in the state of Washington, including Counsel to the Governor, Chief Clerk of the state House of Representatives, Counsel to the state House Appropriations Committee, and Senior Deputy Prosecuting Attorney.

Contact Information:
Marilyn Showalter
Executive Director
Power in the Public Interest
2601 Capitol Way South
Olympia, WA 98501
(360) 705-9980 (phone)
(360) 259-1700 (mobile)
Marilyn.Showalter@ppinet.org
www.ppinet.org

PPI

mshowalter@ppcpdx.org