

INSIGHTS

"Back to the Future" Debate Continues at FERC on State of Competition in Wholesale Power Markets

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On the heels of moves in several states to "re-regulate" electric markets, and complaints from consumer advocates that electric competition has not brought about promised savings, [FERC](#) has embarked on a series of public conferences regarding the status of competition in wholesale electric markets, the first of which was held February 27. Panelists at the first conference included speakers from both sides of the competition debate, who took predictable positions in their public remarks. Economists and sellers argued that the "good old days" before competition were not nearly as good as critics of deregulation would have us believe. Public power, customers, and consumer interest groups, on the other hand, argued that organized markets have done nothing but raise prices and recommended going "back to the future."¹

A few of the more interesting moments came when panelists broke from their traditionally expected positions or from their prepared remarks. Wal-Mart representative Angela Beehler praised organized markets as having helped the company to lower its massive electric bills. Several panelists asked the Commission to reexamine the use of single-price auctions. PNM Resources CEO Jeff Sterba asked FERC to help overcome state parochialism that limits the availability of renewable energy credits (RECs) for out-of-state renewable resources, and to create, or at least support, markets for trading RECs.

The Commissioners asked the panelists numerous questions, without offering any real insights into specific reforms that the Commissioners may have in mind, but at the same time belying their personal perspectives. Despite promising in his [opening remarks](#) that the Commission is not wedded to the status quo, Chairman Kelliher seemed quite satisfied with the existing state of wholesale electric markets, in which organized and bilateral markets coexist. He asked several panelists how it would be possible for FERC to put the "genie back in the bottle," that is, require utilities to "re-bundle" assets that were sold off during state unbundling initiatives over the last decade. Deregulation critics answered this with deafening silence. On the flip side, Commission Spitzer asked whether there were any incentives for low-cost jurisdictions that currently are in bilateral markets to incur the expense of joining organized markets. Commissioner Moeller focused on the issue of whether high prices were not merely the result of high natural gas prices, a position adopted by many of the panelists representing generators and economists, but disputed by those like Joe Nipper of [American Public Power Association](#), who testified that APPA had performed a study finding that gas prices were not the only, or even the primary, driver of high electric prices. Several of the Commissioners also focused on opportunities for organized markets to enhance renewable energy and demand response.

The next of FERC's public conferences on wholesale markets has not yet been scheduled.