



# The Future of Electricity Competition

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January 24, 2006

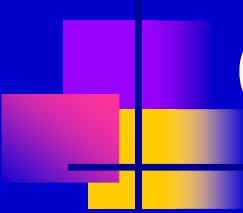
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# Overview of Presentation

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- Electric Energy Market Competition Task Force
- Task Force Activities
- Preliminary Thoughts on Key Substantive Issues



# Electric Energy Market Competition Task Force

- Conduct a study and analysis of competition within the wholesale and retail market for electric energy in the United States.
- Publish a draft report by June 9, 2006 and to finalize the report by August 8, 2006.
- Consult and solicit comments from any advisory entity of the Task Force, the States, representatives of the electric power industry, and the public.



# Task Force Activities

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- Published a Federal Register Notice seeking comment on a wide variety of wholesale and retail competition issues.
- Consulted a wide range of electricity industry stakeholders.
- Currently reviewing the comments.
- Goal is to publish draft report prior to June 9 2006 deadline.



# Preliminary Thoughts on Key Substantive Issues

- Scope of Issues the Task Force Has Been Asked to Consider
  - Benefits and Harms
  - Scope of Report
- Perspectives on Competition in Electric Power Markets



# Scope of Benefits and Harms

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- Examine prices from 2001 to 2004 with fuel adjustments. (NE ISO)
- Examine price from 1998 v 2005 for same utility in States with and without retail competition. (Lehigh Cement)
- Examine industrial customers prices in all states from 1990 v 2004. (Carnegie Mellon)
- Pick an appropriate baseline – 1970s? (EPSA)



# Scope of Task Force Report

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- Perform a cost/benefit analysis of wholesale competition. (LPPC)
- Gather factual information about implementation of retail competition, analyze effect on consumers, and refrain from making any recommendations. (ME PA)
- Identify key variables in the development of wholesale markets need to support various state retail markets and POLR service. (PA OCA)
- Examine the impact of federal subsidies, preferences, and exemptions that distort today's competitive wholesale markets. (EEI)
- Analyze the impact of environmental initiatives on competitive electricity markets. (IPPNY)



# Compromise: Has Competition Provided Real Alternatives?

- Wholesale Markets: Does competition provide real choices for transmission dependent utilities and LSEs to make or buy supply for their customers?
- Retail Markets: In those states with retail competition, does it provide customers with real options to meet their varying and different preferences?





# Perspective: How Are We Going to Meet Demand Growth?

- Are there sufficient market incentives for new generation, transmission, and demand response?
  - Some say there is no inherent competitiveness in the electric power industry.
  - Others says small changes in markets will be sufficient.
- Who bears the risk?



# Answers Depend on Viewpoint

- “The extent of government intervention in markets to control risk-taking is... a tradeoff between economic growth with its associated potential instability and a more civil but less stressful way of life with a lower standard of living.”
  - Alan Greenspan, *Regulation, Innovation, and Wealth Creation* (Sept 2002).
- “The advocates of deregulation ... would have us compare an imperfect regulated economy with an idealized free market, rather than the imperfect regulated economy with the even more imperfect unregulated one.”
  - Joseph Stiglitz, *The Roaring Nineties* (p. 251)