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PENNSYLVANIA EXPERTS SUPPORT ELECTRICITY COMPETITION

In response to a December 18, 2009 letter from Senators Arlen Specter (D-PA) and Robert Casey (D-PA) to Federal Energy Regulatory Commission (FERC) Chairman Jon Wellinghoff, state policymakers, industry experts and market monitoring officials in Pennsylvania and the regional PJM market have overwhelmingly noted the open, competitive state and regional electricity markets that serve Pennsylvania consumers and the benefits offered by customer choice.

- “Pennsylvania has implemented electric generation competition better than any state in the country. The Legislature wanted you to have a choice of electricity suppliers, and here’s your chance.” – *James H. Cawley, Chairman, Pennsylvania Public Utilities Commissioner, op-ed published in the Patriot News, January 2, 2010*
- “[PJM] has two legal duties... operate the grid reliably and ensure that the competitive wholesale market is reasonably competitive... and I think PJM does a really good job... In 1996, the legislature did pass the electric generation and customer choice act [which allowed] owners of generation to sell to all customers. It got rid of the generation monopoly. What has been accomplished? First, plants, now, only get paid if they run. The incentive has changed dramatically. There’s no automatic recovery of fuel costs. You don’t sell your electricity and you burn the fuel, that’s your problem. There isn’t a rate base or a captive customer that’s going to [pay for it] and investors take the risk for their generation investment. So the old days of spending \$7 billion when your competitor is spending \$4 billion is the route to bankruptcy - the old days it was a route to profits... the incentives are much healthier. What have those changes in incentives produced? Now nuclear plants operate about 95 percent of the time... the breakdown rate on a plant, cut in half... pollution is declining. The reserve margin has plummeted [and that] creates enormous financial savings for consumers.” – *John Hanger, secretary, Pennsylvania Department of Environmental Protection, presentation at PennFuture’s “Competitive Energy Markets: Benefits for Consumers and the Environment,” December 3, 2009*
- “Without caps and with customer choice, today’s residential electricity rates are either unchanged or lower than in 1991 when adjusted for inflation.” – *John Hanger, secretary, Pennsylvania Department of Environmental Protection, presentation at PennFuture’s “Competitive Energy Markets: Benefits for Consumers and the Environment,” December 3, 2009*
- “In the Duquesne service territory in the Pittsburgh region, where rate caps expired in 2004, more than half of the electricity demand is being served by a power supplier other than Duquesne Light. Residential customers can choose among three competitors, and commercial and industrial customers can choose among 24 competitive suppliers. Residential, commercial, and industrial customers in the West Penn service territory, where rate caps expired in 2007, have similar options... When the electric competition act was passed in 1996, Pennsylvania’s electric rates were 15 percent above the national average. Today, they are 5 percent *below* the national average. Electric competition is working in Pennsylvania and will take off as rate caps expire.” - *Jan Jarrett, CEO, PennFuture, op-ed published in the Philadelphia Inquirer, December 30, 2009*
- “Under the restructured electric industry, PPL and other electric distribution companies cannot be required to build new generation. Instead, market forces of supply and demand drive that development while ratepayers bear none of the risk as before... Now, all construction cost overruns, refueling delay costs and operational inefficiencies of power plants fall on investors, not captive ratepayers. If a plant cannot be operated profitably, investors, not customers, suffer.” – *James H. Cawley, Chairman, Pennsylvania Public Utilities Commissioner, op-ed published in Patriot News, January 2, 2010*

- “No shortage of generation capacity exists in Pennsylvania. Since electric competition began in 1997, several thousand megawatts of new generation have been built in Pennsylvania, which will continue to be a net power exporting state. To dispel another popular myth, PPL will not pocket all of the 30 percent increase in residential rates. The 11 wholesale power generators who won the PPL competitive auctions will be paid for supplying PPL customers who do not choose a competitive supplier. Wholesale supply costs are passed through to customers without markup under federal law.” – *James H. Cawley, Chairman, Pennsylvania Public Utilities Commissioner, op-ed published in the Patriot News, January 2, 2010*
- “The Market Monitoring Unit (MMU) analyzed measures of market structure, participant conduct and market performance for the first nine months of 2009, including market size, concentration, residual supply index, price-cost markup, net revenue and price.¹ The MMU concludes that the PJM Energy Market results were competitive in the first nine months of 2009. – *2009 Quarterly State of the Market Report for PJM: January through September, P. 5*
- “The overall market results support the conclusion that prices in PJM are set, on average, by marginal units operating at, or close to, their marginal costs. This is evidence of competitive behavior and competitive market outcomes.” – *2009 Quarterly State of the Market Report for PJM: January through September, P. 8*

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EPSA is the national trade association representing competitive power suppliers, including generators and marketers. These suppliers, who account for nearly 40 percent of the installed generating capacity in the United States, provide reliable and competitively priced electricity from environmentally responsible facilities. EPSA seeks to bring the benefits of competition to all power customers.

For more information, go to www.epsa.org.