

October 21, 2008

CONTACT: Daphne Magnuson
(202) 349-0143

DOJ'S ECONOMIC ANALYSIS GROUP REPORT SHOWS ELECTRICITY RESTRUCTURING PRODUCING TANGIBLE BENEFITS

Earlier this year, the Economic Analysis Group within the U.S. Department of Justice's Antitrust Division released a study entitled, "Electricity Restructuring: What Has Worked, What Has Not, and What is Next." The report argues that in areas where electricity restructuring has been fully implemented, it is now producing tangible benefits for consumers and that calls for heavy-handed regulation should be resisted. The report is further evidence that competitive markets are providing real benefits to electricity consumers.

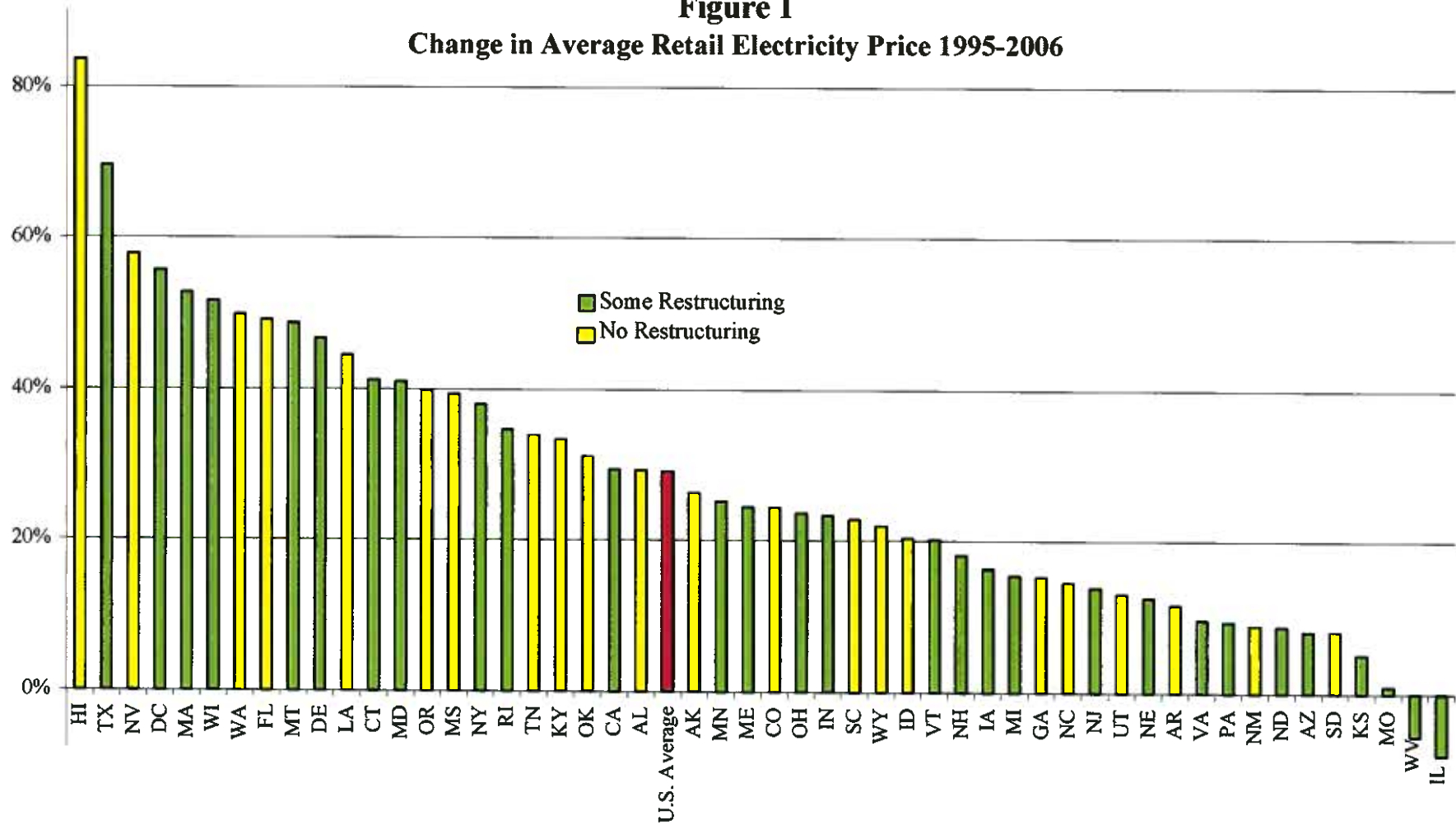
- "In many areas of the country, restructured electricity markets are now producing tangible benefits. There have been very significant improvements in plant operations and in the efficiency of wholesale trading. As market institutions develop there is reason to believe that investment decisions will be made efficiently and that consumers will benefit in the form of lower prices in the long run." (Pg. 20)
- "...policymakers should focus their attention toward perfecting the mechanisms that are used to address these challenging features of electricity markets, not toward radical reversals of restructuring efforts. Calls for heavy-handed reimposition of regulation should be resisted." (Pg. 6)
- "There is now substantial evidence that, in states that have restructured, generating firms have lowered their costs and improved their operating performance.... Greater efficiency and lower costs enhance total economic welfare, provide investment incentives and save on scarce input resources." (Pg. 4&5)
- "...there is substantial evidence that significant efficiencies have been achieved by market restructuring, especially through improved incentives for plant-level operating efficiencies and improved mechanisms for eliciting gains from trade in wholesale trading. However, not all potential benefits of restructuring have been realized, and there is the possibility of further development of market designs.... As regulators consider market reforms, they should look towards the development of these aspects of the competitive marketplace, not towards a return to cost of service regulation." (Pg. 1&2)
- "ISO pricing and dispatch generally ensure that when the transmission network allows it, lower cost generators will run before higher cost generators. Furthermore, ISO markets create mechanisms that efficiently allocate scarce transmission capacity when transmission constraints arise." (Pg. 5)
- "Moreover, there is evidence that prices are lower relative to what they would have been in the absence of restructuring, and reason to believe that beneficial pricing effects will continue for the long run." (Pg. 5&6)
- "It should be stressed that the literature, including the comparative pricing analysis previously discussed, clearly shows that many recent large rate increases are not the result of market power or market manipulation – they are primarily caused by increasing fuel costs and the basic interaction of supply and demand." [emphasis added] (Pg. 11)

The full report can be found at <http://www.usdoj.gov/atr/public/cag/232692a.htm>

* * *

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.

Figure 1
Change in Average Retail Electricity Price 1995-2006



— Prices Source: EIA

Note: A state is considered to have experienced some restructuring if there is either significant RTO participation or customer choice

Figure 2
National Average Fuel and Retail Electricity Prices

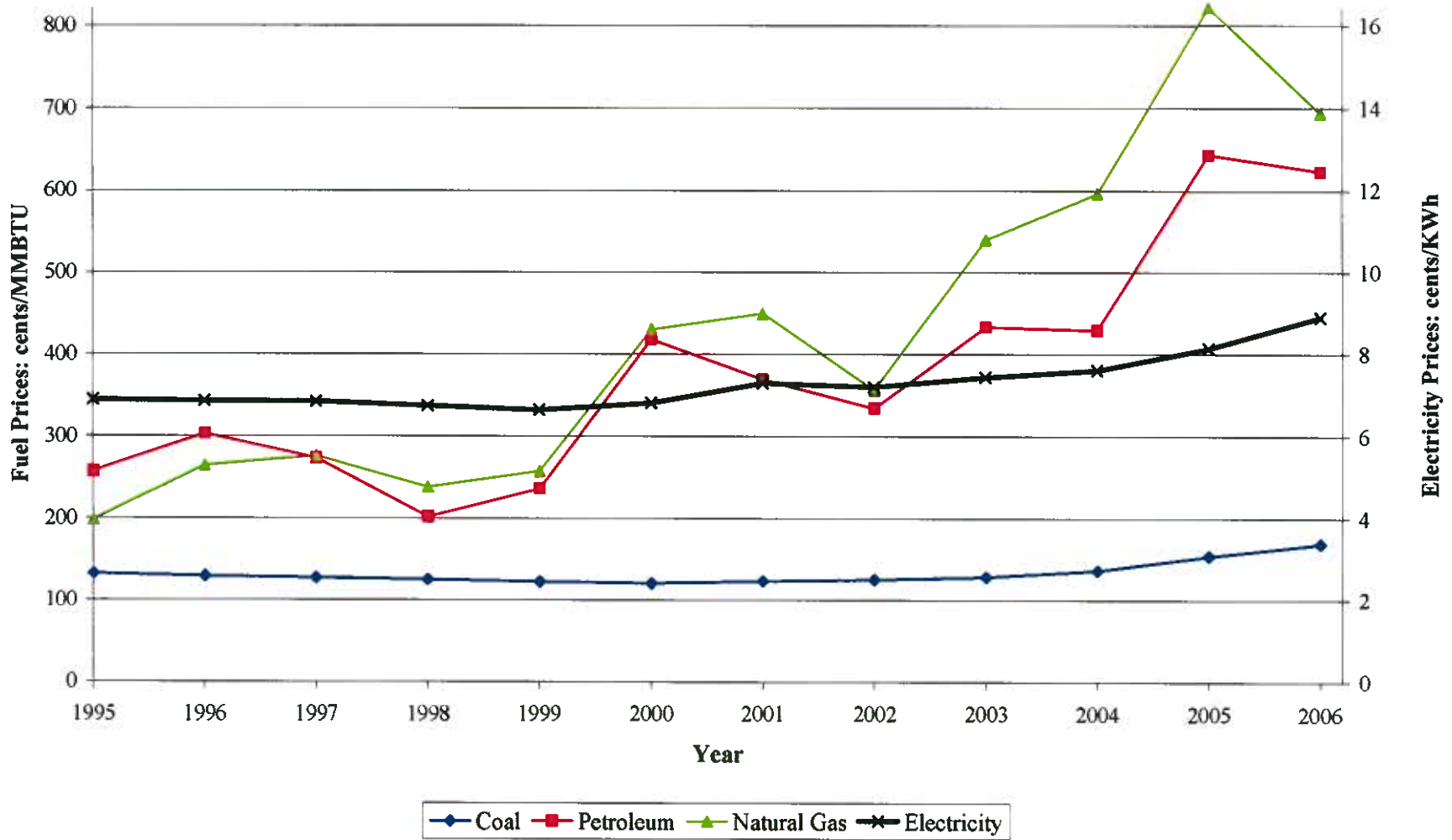
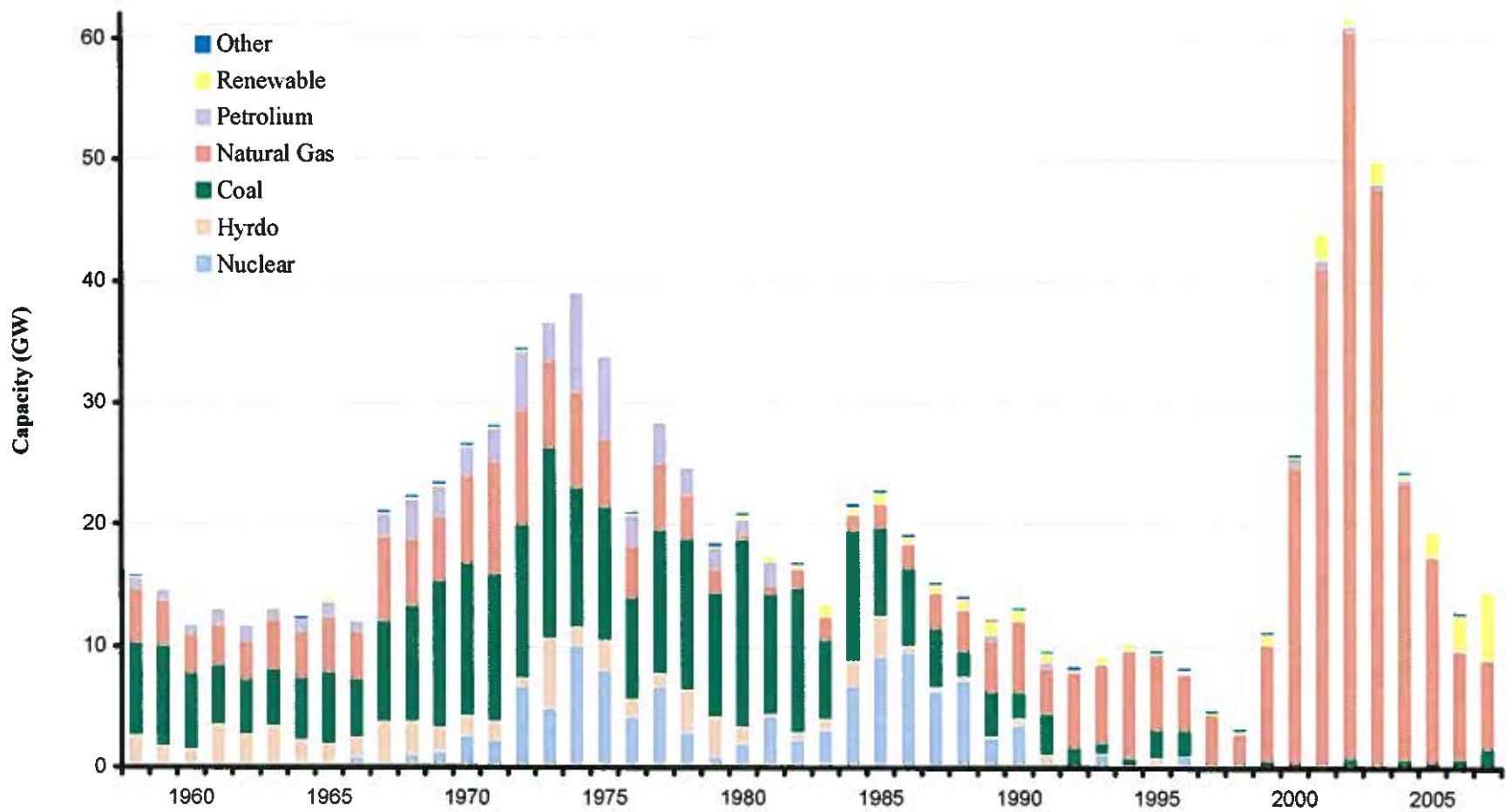


Figure 3
U.S. Capacity Additions: 1958-2007



Source: Energy Velocity
 Note: Summer Capacity by Commercial Online Year