COMPETITION IN THE ELECTRICITY INDUSTRY?

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New Sources of Power

(1) Build a Generating Plant

(2) Contract for Power (PPA)
   (a) With a Merchant Generator
   (b) With Another Utility

(3) Buy an Existing Plant
What’s the Status of Energy Policy?

- Generation Overbuilt
- Inadequate Transmission
- Natural Gas in Short Supply at High Prices
What’s the Status of Energy Policy?

(2)

More Regulatory Scrutiny

Mandatory Reliability Standards Possible

Mandatory Renewable Portfolio Standards

Increase in Environmental Protection Standards
Some States Restructured to Enable Competition

(a) Reliability
(b) Native Load Priority
(c) Resource Planning and Adequacy
(d) Pricing Transmission Expansion
(e) Cost Allocation for Existing Transmission
(f) Rate Determination for Bundled Retail Transactions
Iowa’s H.F. 577

Binding Determination of Ratemaking Principle Before Investment

Utility Proposes / Commission Disposes

Utility Accepts or Rejects Commission Decision

Accept and Go or Reject and Drop Project

Accepted Principles Binding on Future Regulators
Outlook for North American Power Industry

5 Critical Issues for Next 5 Years

1. Regulatory Uncertainty
2. System Reliability
3. Aging Physical Infrastructure
4. Transmission Siting
5. Financial Performance

* Navigant Consulting / Electric Perspectives Survey
Is Regulation a Substitute for Competition?

Can We Reduce Regulation as We Increase Competition?

Update and Renew the Regulatory Compact