

## **35th Annual PURC Conference**

# **The Real Climate Change: Planning and Investing Under Uncertainty**

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## **The State of the U.S. Electricity Market: Competitive, Regulated, or Merely Confused and Paralyzed?**

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# Effect of Market Restructuring

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## Three Points of View

- Success?
- Failure?
- Has It Really Been Tried?

# Successes

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- Customers Not Captive to Inefficient Producers
- Less Socialization of Risks
- Unbundling Has Permitted More Efficient Management Focus
- Better Wholesale Price Signals

# Failures

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- Enormous Transition Costs
  - Establishing ISO's
  - Stranded Cost Recovery
- Little Entry into Small Customer Retail Market
- Flawed Market Design (notably California)
- Absence of Significant Demand Side Response

# Has It Really Been Tried?

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Duh?

- Rate Freezes/Reductions and Competition?
- Attractive Default Service Prices
- Unchanged Retail Price Signals
- Decoupling Wholesale and Retail Prices?
- Stranded Costs: Strengthening the Least Efficient
- Mandated Divestiture / Linkage to Stranded Cost Recovery
- Skewed Siting Laws
- Incoherent Transmission Cost Allocation
- Overly Zealous Regulation Followed by Less than Zealous Regulation

## Current Status of Market

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- Reasonably Efficient Wholesale Markets (Not Problem Free) in Northeast and Texas
- Non-Competitive Markets in Northwest and Southeast
- Muddled Markets in Midwest and Southwest
- Retail Competition for Large Customers, Little for Small Customers
- High Prices (Causation?)

## Digression to External Uncertainties

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- Carbon / Climate Change Policy
- Macro-Economic Uncertainty
- Fuel Price Volatility
- Domestic Energy Policy (e.g. Nuclear, Portfolio Standards, Energy Efficiency)

# Where Do We Go from Here?

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- Back to the Future?
  - How “Good” Were the “Good Old Days”
  
- Can There be Policy Coherence?
  - What Civics Lessons Have We Learned?
  
- Regulation and Politics
  - A Mix Too Volatile to Produce Coherent Policy?