Energy Markets at the Crossroads

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Markets Design and Performance

- The Northeast moves to competition
- The Midwest wants SMD, but slowly
- The Southeast remains a monopoly franchise
- The West seeks cure for California ills
RTOs’ Importance to Competition

- Level competitive field among generators
- Economic dispatch of energy
- Non discriminatory access to grid
- Economic management of congestion
- Independent market administration
- Independent monitoring of markets
Markets & Flaws

- Only California’s market was flawed
- Other organized markets function well
- The true “flaw” in the system is the absence of markets
- Discriminatory access to the grid most prevalent in market-less regions
- Anti competitive behavior most prevalent in regions without RTOs
Market Designs vis Financials

- Markets foster competition which equals economic opportunity for IPPs
- In the absence of markets, monopoly franchises mask economic inefficiencies:
  - Utilities run old, inefficient, polluting plants that would otherwise be retired,
  - Cleaner, lower cost merchant plants cannot access economic order of dispatch
Power Markets Are Regulated

- All current markets subject to price caps
- All markets are adopting Automatic Mitigation Procedures (AMP)
- All markets under surveillance by MMUs
- More transactions are bilateral & long term
- Previous spot market volatility essentially tamed
Competitive Power Model

- Competition among generators, on a level playing field
- Independent transmission functions
- Dispatch of energy on economic merit
- Economic management of congestion
- Competitive spot and forward, physical and financial markets
- Independent & effective market oversight
The Essence of Time

- Organization of competitive markets has lagged behind investment
- Excess capacity in several regions, due mostly to non-competitive wholesale market
- Regulatory disincentives for retirement of junk capacity
- Regulatory disincentives for transmission upgrades
- Will competition survive current regulatory uncertainty?
At the Crossroads

- FERC’s SMD
- The California trauma
- The siren of cost-of-service regulation
- Temporarily depressed prices