



Massachusetts Municipal Wholesale Electric Company

NEWS RELEASE

Contact: David Tuohey, Corporate Communications Manager
(413) 308-1392
dtuohey@mmwec.org

New England Senators file bill to refocus power markets on consumer benefits

LUDLOW, Mass. – February 26, 2008 – Frustrated by the high and rising costs of competitive power markets, a group of New England senators, supported by the Massachusetts Municipal Wholesale Electric Company (MMWEC), today introduced a bill in the U.S. Senate to protect electricity consumers from unjustified cost increases.

Restructuring of electricity markets promised to reduce costs to consumers, but the excessive cost of running these new markets is driving up the price of electricity to the detriment of the economy, according to Sens. Bernard Sanders (I-VT) and Olympia Snowe (R-ME), the chief sponsors of the Consumer Protection and Cost Accountability Act (S. 2660).

The bill, also sponsored by Sens. John Kerry (D-MA), Edward Kennedy (D-MA), Susan Collins (R-ME) and Patrick Leahy (D-VT), would require federal regulators and grid operators such as ISO New England to consider cost impacts on consumers before implementing expensive market mechanisms that are costing consumers billions of dollars. It also would require independent system operators (ISOs) and regional transmission organizations (RTOs) to perform cost-benefit analyses demonstrating the consumer benefits of market changes and subject the ISOs and RTOs to biennial, independent audits that would be available for public review.

“This bipartisan bill refocuses market restructuring activities on delivering benefits to consumers without compromising the mandate of grid operators to ensure electric system reliability,” said MMWEC Chief Operating Officer Ronald C. DeCurzio.

DeCurzio cited the extensive measures - including Congressional intervention - that were required to bring the Federal Energy Regulatory Commission (FERC) and ISO-NE into settlement negotiations over a new Forward Capacity Market that will cost consumers roughly \$5 billion between now and mid-2010. Absent these measures and the eventual settlement agreement, consumers were faced with an additional \$8 billion in costs over the same period under the market plan favored by the FERC and ISO-NE, DeCurzio said.

more

Massachusetts Municipal Wholesale Electric Company, P.O. Box 426, Ludlow, MA 01056

He also cited New England's experience with Reliability Must Run (RMR) contracts, which guarantee out-of-market payments to generators the ISO determines are needed for reliability. Costly and prolonged legal challenges to these contracts by MMWEC and others resulted in \$150 million in refunds and more than \$1 billion in savings for consumers, without compromising system reliability.

"With this legislation, consumer protection and cost accountability for ISOs and RTOs will be written into law," DeCurzio said.

The Consumer Protection and Cost Accountability Act would amend Section 205 of the Federal Power Act, without altering other provisions of the law, to require:

- That the FERC expand the reliability-focused mission of all ISOs and RTOs to include delivery of electricity to consumers at the lowest reasonable cost;
- That the FERC, in considering ISO/RTO rates, expansion plans and market changes, ensure that consumer costs are as low as reasonably possible, consistent with reliability requirements;
- That relevant FERC filings by ISOs and RTOs be accompanied by cost-benefit analyses demonstrating that the consumer benefits from proposed actions outweigh any anticipated costs to consumers;
- That ISOs and RTOs be subject to biennial, independent audits to help the public assess their performance and recommend actions to lower costs or improve performance; and
- That the FERC submit an annual report to Congress on whether ISOs and RTOs are performing their mission of providing reliable electric service at the lowest reasonable cost to consumers.

"We believe that FERC is failing to ensure that RTOs/ISOs perform their functions with the consumer focus that the Federal Power Act requires," Sens. Sanders and Snowe state in a letter seeking support from their Congressional colleagues.

DeCurzio applauded the leadership of Sens. Sanders, Snowe, Kerry, Kennedy and Collins in raising awareness and taking action to bring more accountability and cost control to the operations of ISOs and RTOs.

"At a time when New England is suffering the highest retail electric rates in the country, this bill holds the promise of bringing rising power market costs under tighter control," DeCurzio said.

MMWEC is a non-profit, public corporation and political subdivision of the Commonwealth of Massachusetts that provides a variety of power supply, financial and other services to the state's consumer-owned, municipal utilities.