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# Deregulation: One Disastrous Disappointment

By Thomas R. Josie

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Deregulation of the market for electricity in New England nearly a decade ago came with a promise of lower electricity bills for consumers. Now our electricity prices are the highest in the continental United States.

There's not much we can do about our heavy dependence on natural gas and oil to generate electricity here in New England, one reason our electricity bills are so high.



But one of our biggest problems can be fixed.

## **Market Pressure**

That is the wholesale electricity market, encouraged by the federal policy and cobbled together as part of deregulation. But the Federal Energy Regulatory Commission, which is supposed to protect consumers, got it wrong.

The ISO-New England, as the market is called, turned out to be expensive, cumbersome, unfair and costly to consumers. Here are some examples:

The supposed wholesale electric market failed miserably, the generators wanted more money to do their job of building power plants so a new type of market system was devised.

It will cost consumers \$5 billion more in the two and a half years to the middle of 2010. And the original plan, killed by Congress after public outrage, would have cost even more.

Then there are the payments to power generators that ISO-New England says the generators need to ensure reliable service.

Legal challenges by consumer groups made the generators cough up \$150 million in refunds and saved consumers more than \$1 billion without compromising reliability.

What's more, because the federal energy commission hasn't been minding the store, power generation companies in many deregulated states have used the new wholesale markets to jack up prices.

In those 20 states, rate increases have been rising twice as fast compared to regulated states.

That's a lot of statistics, and these murky, complicated markets are hard to understand, even for experts. Exposing them to sunlight isn't easy.

### **Consumer Demands**

So why should you believe me?

Because the examples I just mentioned are all on the public record and because I work for the customers of a nonprofit municipally owned electric utility in Shrewsbury.

We are owned by our customers, and we have their interests at heart. So when the big generating companies throw up smokescreens about how the ISO is really fostering competition, you should consider the source.

The process we have now simply does not account for the interests of those of us who pay the bills!

It would make sense for ISO-New England to produce – and federal regulators to consider – cost-benefit analyses before making big changes, but the ISO objects strongly to such logic.

So do the region's power generators, fearful the gravy train will slow.

No market can long ignore the consumer, and those that do are doomed to eventual failure. Consumers need a stronger voice in the decision-making process in New England, or this ISO market won't survive.

Ironically, consumer voices are being stifled by the federal energy commission, the ISO and the big generating companies. It may take another act of Congress for them to see the light.

*Thomas R. Josie is the general manager of Shrewsbury Electric and Cable Operations and supporter of the Campaign for Fair Electric Rates ([www.fairelectricrates.net](http://www.fairelectricrates.net)).*