

## New Study Confirms Electricity Markets Savings

*It's nice to have nuclear power savings confirmed again.*

PR Newswire  
November 29, 2006

The implementation of coordinated markets in two regional transmission organizations is producing rate reductions that are saving consumers between \$430 million and \$1.3 billion per year, concludes a new study by three LECG consultants.

Although electricity retail prices have increased since 1998, the authors point out that these increases have occurred throughout the country, regardless of market structure, as a result of rising fuel costs. The rate reductions project over the current PJM Interconnection and New York ISO footprints to savings of \$430 million to \$1.3 billion per year compared to consumer charges under a traditional market structure, regardless of whether the regions studied were dependent on costly natural gas. The study by the LECG consultants examined markets in Pennsylvania, New Jersey, Maryland, Delaware and New York, as well as the District of Columbia, during the period 1998 - 2004.

"The study adds to the growing body of work reaffirming that wholesale competitive markets bring real savings to consumers," noted PJM Executive Vice President and Chief Operating Officer Audrey Zibelman. "It also highlights the effectiveness of the independent marketplace in reflecting economic efficiency."

The study, commissioned by PJM, also showed a decline in gas-fired generation in New York and eastern Pennsylvania at the same time that annual nuclear plant output was on the rise during the period following implementation of coordinated power markets. **Nuclear generation output the area, in fact, rose 28 percent between 1997 and 2004 even though no new nuclear plants were placed in operation during this period.**

"As the authors of the report point out, it appears that the decline in use of more expensive natural gas units in part is the result of improved operating performance by nuclear units," Zibelman said. "The PJM and NYISO markets ensure that the lowest cost energy is dispatched first and provide a transparent spot power market with strong financial incentives for improved generator performance."

In addition, the study notes that it's "striking that since 1997, the level of gas dependence has declined somewhat in the coordinated market states of Delaware, New Jersey and New York while rising materially in traditional market structure states such as Alabama and Florida."

The study examines the retail rates of a large set of municipal and cooperative utilities located in both transmission organizations and in the traditional market states of Florida, Georgia, North Carolina, South Carolina, Alabama and Arkansas. The study controlled for a variety of factors that affect retail electricity prices, such as fuel mix, retail access and different market structures.

The municipal and cooperative utilities were chosen as a study group because they have retained the obligation to provide generation service to their customers and were not subject to retail access. This factor renders municipal and cooperative utilities comparable across utilities in traditional market structure states and those located within coordinated markets, providing the basis for an "apples to apples" study. In

addition, because the study analyzes retail rates, which include charges for recovery of regional transmission organization costs, the estimated savings take into account the costs of operating the two regional transmission organizations.