



Consumer Federation of America



Publisher of Consumer Reports



U.S. Public Interest Research Group

August 28, 2003

Dear Senator:

The electricity title of the energy bill will be on the front burner when Congress returns from its August break as a conference of the House and Senate tries to reconcile two dramatically different energy bills. Neither of these bills faces the fundamental need to address the reliability of the transmission network and protect consumers. Both of them are long on deregulation and short on sensible reliability policy.

It is time for Congress and the Federal Energy Regulatory Commission (FERC) to stop toying with the country's electricity system. The undersigned representatives of major national consumer groups and 33 local and state groups from 21 states across the nation, urge you to pass an electricity title that focuses on reliability and puts the radical deregulation on hold.

Under the pending bills in the House and Senate, oversight of the electricity industry will be dramatically reduced, rather than strengthened. Under the pending bills:

- The Public Utility Holding Company Act will be repealed, allowing utilities to diversify into non-energy businesses and create huge multi-state holding companies that escape regulatory oversight.
- The Federal Energy Regulatory Commission will be allowed to pursue its radical restructuring of interstate markets by forcing all utilities to create spot markets for electricity and transmission services.
- Industry self-regulation will be the model for implementing reliability, continuing decades of inadequate and uneven oversight of the industry.

None of this makes sense from the point of view of improving reliability. Congress must now focus on writing legislation that focuses on rebuilding the physical and institutional infrastructure of the transmission grid. Basic tasks have been neglected for far too long.

- There has not been a comprehensive survey of the functioning of the facilities in the national grid in forty years. No comprehensive study to identify the critical bottlenecks and transmission paths that need to be strengthened has been made.
- In a decade of fiddling with the interstate transmission system, the FERC has failed to create a transmission authority to plan the expansion and manage the operation of the grid. It has also failed to reconcile local, state and federal interests in siting transmission lines and to balance private incentives to invest in transmission facilities and public obligations to promote reliability.
- Industry self-regulation of reliability has been uneven and inadequate. Congress has failed to propose an adequate model for public oversight and enforcement of reliability standards.

If the Congress wants to do more to diminish the possibility of future transmission problems, it should get serious about energy efficiency, like mandating higher minimum standards for air conditioners, which would reduce the demands on the grid at its most vulnerable times, hot summer days. It could also give a boost to local (distributed) generation, which has the double benefit of adding generation resources to the system while not using the long distance transmission lines, whose failure triggered the recent black out.

Congress must tell FERC to stop any further efforts to restructure the industry under its Standard Market Design proposal until this analysis is complete and the major structural flaws in the grid are corrected.

Sincerely,

Consumer Federation of America Consumers Union U.S. Public Interest Research Group

American Council on Consumer Awareness, Inc.	Michigan Consumer Federation
Arizona Consumers Council	New Hampshire Public Interest Research Group (NHPIRG)
CALPIRG	New Jersey Citizen Action
Citizen Action/Illinois	New York Public Interest Research Group (NYPIRG)
Citizens' Utility Board of Oregon	North Carolina Justice & Community Development Center
Columbia Consumer Education Council South Carolina	North Carolina Consumers Council, Inc.
Community Action Partnership of Mercer County	Ohio Public Interest Research Group (OhioPIRG)
Consumer Action	Oregon State Public Interest Research Group (OSPIRG)
Consumer Assistance Council, Massachusetts	Pennsylvania Public Interest Research Group (PennPIRG)
Consumer Fraud Watch, Florida	Texas Consumer Association
Consumers' Voice	Public Interest Research Group in Michigan (PIRGIM)
Democratic Process Center, Arizona	Rhode Island Public Interest Research Group (RIPIRG)
Environment Colorado	Texas Public Interest Research Group (TexPIRG)
Florida Public Interest Research Group (Florida PIRG)	Utility Consumers' Action Network
Harlem Consumer Education Council New York	Virginia Citizens Consumer Council
Iowa Public Interest Research Group (Iowa PIRG)	Wisconsin Public Interest Research Group (WISPIRG)
Maryland Public Interest Research Group (MaryPIRG)	
Massachusetts Consumers' Coalition	