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U.S. Supreme Court upholds electricity-market regulations

By David G. Savage
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WASHINGTON - The Supreme Court upheld federal rules Monday that move in the direction of creating a national market for electricity.

In a 9-0 ruling, the justices said that once electric power moves onto interstate transmission lines, it is freed of a state's regulatory control.

This freer market should "encourage lower electricity rates," especially for big power users, by creating "competitive bulk power markets," the high court said in endorsing the 1996 rules set by the Federal Energy Regulatory Commission.

But states retain some regulatory control over the retail electric rates that utilities charge their customers. On a separate 6-3 vote, the justices rejected a claim from now-bankrupt Enron Power Marketing that such power sales should be freed from state regulation as well.

Experts in electric energy called Monday's mixed decision significant but not surprising.

On the one hand, it merely upheld 6-year-old regulations and rebuffed regulators from nine states. But neither last year's energy crisis in California nor the Enron bankruptcy persuaded the justices to reconsider the move toward national deregulation of energy.

It is not clear whether the ruling will have much impact in California, energy regulators said.

The state moved early to deregulate the sale of electric power and to encourage competition. But the steep spike in power price last year prompted lots of second guessing.

Officials of the California Public Utility Commission switched sides on the issue and belatedly joined the nine other states, led by New York, that challenged FERC's move to deregulate.

But Monday's ruling sharply limits California's authority to reregulate the electricity business.

The biggest winners of the deregulation move, energy experts said, are large users of electric power who can take advantage of lower, bulk rates from the interstate power grid, mostly huge manufacturers.

The losers in this move toward national competition tend to be older and smaller power producers, who might lose business to out-of-state competition.

“This gets us back on the track to restructuring the last big monopoly and heading toward a truly competitive market,” said John Hughes, director of Electricity Consumers Resource Council, which represents large manufacturers that want to buy power at the lowest rates. “We believe this (electricity) is naturally an interstate market, and we’re encouraged the Supreme Court agrees.”

A coalition of independent power producers also applauded the ruling. The court and FERC are “right to seek an end to discriminatory, anti-competitive practices and to make sure customers have access to the lowest possible prices,” said Lynne H. Church, president of the Electric Power Supply Association.

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