

Daily Southtown

The (rate) shocking truth about ComEd/Exelon's auction

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Most people believe the old saying, “Go straight to the horse’s mouth,” for the real truth.

That’s why I was pleasantly surprised to read Exelon CEO John Rowe’s description of our state’s electric market in a recent Wall Street Journal article.

According to Mr. Rowe, “making a market system that works here [in Illinois] is still a problem” that needs to be solved.

I was surprised by this statement because it so thoroughly undermines the controversial New Jersey auction scheme ComEd/Exelon wants to import to the Land of Lincoln.

While the details of this auction are complicated, everyone agrees that it presupposes a competitive and well-functioning electric market.

Where we’ve disagreed – at least until this point – is whether there’s enough competition in Illinois’ electricity market to justify deregulation.

ComEd/Exelon says our market is sufficiently competitive. CUB, Gov. Rod Blagojevich, and Illinois Attorney General Lisa Madigan have determined that the market still has fundamental problems that need to be addressed.

Given Mr. Rowe’s candid admission, then, one might think that the differences between the two sides could now be easily bridged.

Unfortunately, ComEd/Exelon has yet to follow the insights of its CEO.

If anything, the company has actually accelerated its push to bring the New Jersey auction scheme to Illinois, despite the fact that New Jersey itself is

rethinking the entire process after the latest auction produced a 55 percent increase in energy prices.

So now we face a situation that borders on surreal.

Even though the state that invented the auction is realizing its mistake, and even though Mr. Rowe admits to Wall Street that our market system is fundamentally flawed, ComEd/Exelon continues to march Illinois down the path of massive rate increases.

Can anything be done? Fortunately, the answer is yes. And from past experience we know exactly what to do. Faced with the same set of problems in 2002—a lack of competition and problems with the wholesale market—lawmakers extended a state-mandated rate freeze for another two years to protect consumers.

And ComEd/Exelon supported the extension.

Fast forward to 2006, where nothing has changed. Residential customers still are stuck with ComEd, even Rowe admits the market has problems, and rates are expected to skyrocket after the freeze expires at the end of the year.

ComEd’s solution? Just grin and bear it and trust the company’s radical auction plan to produce the lowest prices.

CUB has a better idea. The Electric Consumer Protection Act, HB 5766, sponsored by state Reps. Lisa Dugan, Careen Gordon, and others, would extend the rate freeze for another three years, giving the market more time to develop while protecting consumers from rate shock.

It’s a reasonable solution and one ComEd/Exelon can easily afford. In fact, an independent study shows that the company has flourished under the current rate freeze and would continue to be wildly profitable at current rates well into the next decade.

A rate freeze extension also is the right thing to do. Although Rowe is speaking the truth, he’s obviously not listening. You know what they say, “You can lead a horse to water...”