

Chicago Tribune

September 14, 2005

Editorial: Power struggle

The sticker shock in energy prices seems relentless of late, but one happy exception for Illinois consumers has been their electric bill. Thanks to a 1997 legislative deal, electricity rates were cut by 20 percent and have been essentially frozen ever since then.

That's about to change. For residential customers, the long and pleasant rate freeze ends at the beginning of 2007. Costs almost certainly will rise, perhaps substantially.

With the deadline looming, Illinois regulators are mulling a Commonwealth Edison plan to let the market set the price of electricity through a form of auction. Wholesale suppliers would bid to provide your electricity through ComEd. The company says it would smooth the transition from utility regulation to a competitive market so prices would not rise too swiftly.

But Gov. Rod Blagojevich, Atty. Gen. Lisa Madigan and some other political leaders seem intent on getting in the way.

The 1997 legislation cut and then froze electricity rates with the expectation that there would be a long-range transition by Illinois utilities from regulated monopolies to the free market. The aim was to foster competition and efficiency by allowing consumers to shop for the best power bargain.

Success on that score has been mixed. Some competitors jumped in to challenge ComEd for the business of larger commercial customers. But competitors haven't jumped at the prospect of trying to lure residential customers.

In essence, ComEd is now saying that it will be the bargaining agent for residential customers. It would do this by holding an auction in which power suppliers--including ComEd's parent, Exelon--would compete to provide the electricity for those residential customers. No company would be allowed to provide more than 35 percent of the electricity. Presumably, power suppliers will be more interested in selling large quantities to ComEd than they were in trying to pluck off residents house by house.

ComEd once was a top-to-bottom operation, running coal-fired and nuclear generating plants and delivering power to wall outlets across Northern Illinois. That has changed. Its parent, Exelon, owns generating plants and ComEd is merely a distributor. It's a more reliable distributor than it used to be, thanks to more able management and \$3 billion in infrastructure improvements.

ComEd passes along the cost of electricity it buys to customers and charges a state-regulated markup to deliver power to homes and businesses.

The company is asking the Illinois Commerce Commission for two things. It wants a hike in the delivery charge that would add about 6 percent to a typical homeowner's monthly bill. The charge hasn't risen in years and even consumer advocates acknowledge an increase is overdue.

The more controversial request involves the auction in which suppliers would compete to sell power to ComEd.

The auction has politicians in a lather. Lisa Madigan and Cook County State's Atty. Richard Devine say ComEd's request is illegal and have filed a lawsuit to stop the ICC from even considering it.

Blagojevich topped that with a threat to fire all five ICC commissioners if they accept ComEd's proposal. The ICC is supposed to be insulated from political whim. It is charged with determining how best to move utilities from regulated monopolies to competitive markets.

The governor has no business telling commissioners how to do their job. This is the most blatant meddling in their business since Blagojevich signed a bill in 2003 designed to bypass the commission and protect SBC from competition.

The ComEd auction proposal is new and its precise impact on power prices is hard to predict. One thing is clear, however. ComEd's current power purchase contracts expire at the end of 2006 and the cost of whatever replaces them will surely rise. The company thinks the auction will help moderate that increase by bringing in a good number of competitors.

It's time to move to a competitive market for electricity. If politicians have a better idea of how to accomplish that, they should serve it up. But suggestions that the rate freeze stay in place--we're going on nine years, remember--ignore the fact that the costs of producing energy, as the costs of virtually all products, continue to rise.

Political leaders do consumers no favor by seeking to put a legal blockade on a market system. That will only put at risk the reliability of the supply of electricity to Illinois homes.

That's not what the politicians want. Is it?