Not too long ago, the electric deregulation train appeared to have gathered steam across most of the country and seemed unstoppable. Recently, however, electric deregulation appears to have lost pace, and in some quarters what little accomplishment there has been is being rolled back or stalled. Certainly, not every state jumped on the train. States such as Idaho, Wyoming, Kentucky, Tennessee, Utah, and West Virginia have had little incentive to deregulate. The average price their citizens pay for electricity is in the range of $0.05/kWh or less compared to prices 80-100 percent higher in California, Massachusetts, Rhode Island, Maine, Vermont, Connecticut, New Jersey, New York, and New Hampshire. But even in states where there have been economic and policy incentives to deregulate, much has happened in the last few years to stifle deregulation.

The California energy crisis left legislators and regulators in the states that have not deregulated with grave concerns about whether deregulation even works, much less whether it will produce consumer benefits. Rates for customers of San Diego Gas and Electric increased 100 to 200 percent in 2000, and Pacific Gas & Electric and Southern California Edison had to pay for wholesale purchases of electricity at prices that were up to five times greater than what they were able to recover from their retail customers. All in all, a California deregulation plan that took five years to develop took only months to collapse. And, now, the state of California (through its Department of Water Resources) owes billions for long-term obligations it incurred to purchase electricity for its residents when California utilities were unable to meet their obligations.

Edward L Flippen

Mr. Flippen is a partner with McGuire Woods LLP and a sitting professor of law at George Mason University School of Law.