



Scandals scuttle Southeast U.S. power deregulation

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By Chris Reese

NEW YORK, Aug 16 (Reuters) - Deregulating the Southeast electricity industry has fallen far down the region's list of priorities, knocked out by California's calamitous market experiment, bankruptcies and trading scandals, industry executives said.

In states long spoiled by cheap energy from utilities that comprise some of the nation's biggest monopolies, there has never been much enthusiasm for opening the market to competition.

Recent industry turmoil has done little to change that.

"It's going to be hard to get the stomach to move toward deregulation if the only thing that everyone is thinking about is California, Enron, and wash trading," Progress Energy Inc [PGN.N](#) spokesman Keith Poston told Reuters.

Under deregulation consumers can choose who generates their electricity rather than having traditional utilities both generate and distribute power.

Progress Energy is the parent company of CP&L, which powers over 1.3 million customers in North Carolina and South Carolina, and the parent company of Florida Power, which serves about 1.4 million customers in central and north Florida.

Five years ago the move to end the domination of utility monopolies, similar to the deregulation of the natural gas and telecommunications markets, was all the rage.

CALIFORNIA AVALANCHE

Things began to fall apart early last year, however, when California - at the forefront of deregulation - saw power prices soar amid rolling blackouts and the bankruptcy of its biggest electric utility.

The negative publicity continued late last year when Enron, then the nation's largest energy trader, declared bankruptcy after admitting sham electricity trades and shady accounting.

The power trading industry has been further beat up this year with more power traders admitting to bogus trades and accounting irregularities, and with several energy companies shutting down their trading arms.

"The failures that we've seen in the last year and a half, starting with California, going through Enron and then going through the domino effect that Enron has had on many of the trading and marketing companies, are definitely going to result in a much harder time for advocates of competition," said Ken Malloy, chief executive officer of the Center for the Advancement of Energy Markets, a Washington, D.C.-based think tank.

"There is no federal mandate right now. There is no discussion of it. Frankly, deregulation is not going anywhere," he said. The center favors deregulation but says it is not a lobby group.

Proponents of deregulation argue competition among energy providers would result in cheaper prices for consumers, in turn driving down costs and creating a more efficient economy.

But retail prices in the still-regulated Louisiana market, for example, average only 5.8 cents per kilowatt hour compared with the national average of 6.7 cents, according to the latest data from the federal Energy Information Administration.

Analysts credit a surplus of cheap power generation in the South for the lower prices.

Southeastern U.S. energy officials also pride themselves on keeping pace with electricity demand in the region and using a quick approval process for anyone seeking to build a power plant.

WAITING FOR GOVERNMENT

The Tennessee Valley Authority, the largest government-owned power generator in the U.S., supplying power through most of Tennessee and portions of six neighboring southern states, said only a government mandate can again kick-start deregulation.

"Congress at some point will take action that will affect the state of the utility industry, but at this point they have not done anything," said TVA spokesman Gil Francis.

Center for the Advancement of Energy Markets' Malloy said it may take at least 10 years before southeastern states again turn their attention to power deregulation.

"I think what we need is a dramatic success, either in Pennsylvania, England, New Zealand, Texas -- somewhere where they have already jumped both feet in the middle of the swamp," he said.

"We are going to need probably two or three of those places to experience successes that are dramatic enough that even skeptics will say they see the benefits."

Another huge southeast utility, Southern Co. [SO.N](#), which supplies power through its subsidiaries to most of Georgia and Alabama, southeastern Mississippi and the Florida panhandle, has also put deregulation on the backburner.

"The California stuff happened, which did not bode well for deregulation in general, then you combine that with the fact that in Georgia we have electricity prices that are 50 percent below the national average, and there has not been a real big push for deregulation," said John Sell, spokesman for Southern subsidiary Georgia Power.

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