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GOODMAN: Marketers to play vital roll in Obama's recovery

NEMA President Craig Goodman sees a big role for his association's marketing members in President Barack Obama's plans for a green economic recovery, he told us Friday.

The Obama administration is banking on energy being a linchpin to the recovery of the economy as witnessed by the billions lavished on the sector in the stimulus bill (RT, Feb-18). About 4.5 of those billions are flowing toward the smart grid, for example -- an area Goodman believes marketers can play a huge role in.

How? One way is through price signals. The advances Obama is looking for in energy need market price signals and competition to come to fruition, noted Goodman.

Without new rates that tell consumers what they are buying and how much they are paying for it -- essentially linking retail consumption to wholesale markets -- the best benefits of the smart grid will be lost.

Consumers need that information so they know when to charge their new plug-in hybrids and so they can take advantage of cost savings available by running other appliances at the right time. Marketers can do a lot to bring those innovative and enabling technologies to consumers, he added.

Obama and others in power are looking to bring the energy industry from a 1980s model into a 2020s model, said Goodman.

The telecom industry has seen such an advancement -- and it didn't happen due to regulation, he added. Markets brought about huge changes that produced telecom technologies that were unimaginable just 20 years ago.

Goodman doesn't worry that the anti-market sentiments being leveled at Wall Street will bleed into the power industry where monopolies are yet prevalent and regulations are plentiful. In fact, the entire reason for the amount of regulation in the electricity industry is to make sure monopoly market power is kept in check, he added.

The issue is not how much regulation we have or need -- but how smart the regulation is in preventing monopoly market power abuses. Also, how small can we make the monopolies that are left -- not how large can we make them, noted Goodman.

Market forces have to be brought to bear to bring about much of the transformation needed to pull the country out of a recession and eventually help to address climate change.

"If policymakers don't use the marketplace to deliver the New Energy Economy of the 21st Century, all the regulations in the world cannot force innovation into the economy. It's the consuming public that must embrace and accept the transformation and the changes in behavior needed to reduce demand. And right now is a tremendous opportunity to bring these new innovations to market when the prices for natural gas and crude oil are at levels we have not seen since 9/11," said Goodman.

"Utilities will play a critical role in building the transmission lines to bring renewable resources into each area of the country. However, transparent, market based prices and innovative energy and technology companies will be needed to bring these benefits to the consuming public and to stimulate the local and national economies.

"Energy comes in all shades between green and black -- but not red and blue," said Goodman, a former energy policy official for US Presidents of both political parties. "If the new agenda is a bottoms-up approach to economic recovery, the smallest, lowest income consumer must get the benefits of a better, cheaper, smarter retail energy marketplace."

[Comments]

APPA offers plan to boost market competitiveness?

APPA released its Competitive Market Plan Friday -- calling for RTO-run wholesale markets to adopt marginal cost pricing -- an idea not usually embraced by anti-market entities. The plan purports to transform those markets from de facto oligopolies into more competitive markets that preserve reliability for just and reasonable prices.

The plan is the result of APPA's Electric Market Reform Initiative that saw the lobby churn out many anti-market papers over the last three years.

Energy and ancillary services real-time and day-ahead markets would be changed into "optimization markets" where customers could balance supply deficiencies or excess purchases and generators could sell extra power.

Offers to the optimization market would be limited to a generator's marginal cost of service. Generators would have to submit cost data to market monitors who would check to make sure the offers were legitimate.

Prices would initially be set using a cost-based single market clearing price, with that being checked on after three years of operation.

The single market clearing price isn't exactly a popular policy among market opponents like APPA -- but the association decided to leave it in to avoid too drastic a departure from the existing market structure and to foster compromise, it said.

Generation offers into the market would be made public the next day, including the identity of the bidder.

The only way generators could get market prices is through long-term contracts -- and those with market-based rate authorization would be able to offer those prices. Generators would have to offer all of the capacity they don't have tied up in long-term contracts into the optimization market.

Demand-side resources could make offers into the optimization market but wouldn't be limited to cost based offers -- being able to take the single clearing price.

Capacity markets would be phased out with their purpose served by long-term contracts between generators and load servers.

RTOs would conduct least-cost dispatch of generation based on actual