

# PPL Chairman: California Underscores Need For a Truly Competitive U.S. Electricity Market

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Reacting to the electricity supply problems in California with measures that interfere with the competitive market would be counter-productive, the chairman of PPL Corporation (NYSE: PPL) told the Senate Energy and Natural Resources Committee.

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"The California experience underscores the need for a renewed commitment to truly competitive electricity markets," said William F. Hecht, PPL chairman, president and chief executive officer.

"I am confident that -- after considering all the facts -- we will reach the conclusion that a truly competitive electricity market not only is sound public policy, it is the only way that we will be able to ensure adequate electricity supplies at fair prices," said Hecht.

Hecht was part of a panel that testified before the Senate committee, which is considering a number of bills related to the electricity supply problems in California.

He said that the solution to the California supply problems are not to be found in artificial price constraints. "The real solution to this problem is to rely on the forces of supply and demand, which will both discourage consumption and encourage production," Hecht said.

Reflecting the actual economic value of electricity through retail prices will exert downward pressure on consumption, he said, immediately helping to reduce the mismatch between supply and demand. In addition, prices set by supply and demand will send the proper price signals to investors, encouraging the construction of new generating facilities.

"Price caps would reduce the incentive to invest in new production and unnecessarily prolong and exacerbate the existing supply-and-demand imbalance," said Hecht. "Allowing the free market to function and to send the right signals will result in the significant capital investments that we need to build the next generation of American power plants."

He pointed out that the Pennsylvania-based PPL Corporation, which sells electricity in competitive markets throughout the United States and Canada, is a good example of this process at work.

PPL, he said, has explored acquisition and development of power plants at more than 100 locations in the United States and overseas. In each case, Hecht said, the company carefully studied available supplies in the region, estimates of future marketplace prices, the likelihood of success in constructing the facility and a host of other factors.

As a result of this selective process, PPL has acquired about \$1 billion in generating assets and is developing plants in Connecticut, on Long Island, in Pennsylvania, in Washington state and in Arizona. These plants under development represent an additional estimated investment of more than \$2 billion.

"It goes without saying that we are developing these plants -- which would add more than 4,000 megawatts of supply -- because they are located in key markets where power is needed and that offer long-term opportunities for our shareowners," said Hecht. "Put another way: If the wholesale markets in these regions were not sending the appropriate price signals, we could not justify building plants there."

Hecht said the only way to solve the current supply problems is to encourage the building of new power plants. And, these facilities can be built quickly.

"New generation can be installed rapidly, in compliance with existing laws and regulations that fully protect environmental quality," he said.

He also said that federal and state governments could take some positive steps to ensure that new generating units can be built quickly. He noted that environmental review could be procedurally accelerated without reducing the participation of knowledgeable intervenors or compromising the quality of the outcome. He said government also could make sure that the electricity transmission system is available to all electricity generators and purchasers.

In addition to representing PPL, Hecht spoke on behalf of the Electric Power Supply Association, a national trade organization representing competitive electricity suppliers, including independent power producers, merchant generators and power marketers.

PPL Corp. generates electricity at power plants in Pennsylvania, Maine and Montana; markets wholesale or retail energy in 42 U.S. states and Canada; and delivers electricity to nearly 6 million customers in Pennsylvania, in the United Kingdom and in Latin America.

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