

Deregulation doesn't affect co-op members

Consumer-Owned Utilities Put Long-Term Costs, Reliability Ahead of Profits

After more than a decade of experimenting with deregulation of the electric utility market in Illinois, power marketers, called alternative retail electric suppliers, have started to target small residential consumers.

Mass mailings and phone offers targeting ComEd customers have mistakenly gone to Rock Energy Cooperative members.

The offers claim to provide a lower electricity price, but they do not represent all charges and generally require consumers to sign a long-term contract with cancellation penalties. For example, the offer is only for the wholesale power generation portion of the consumer's bill, not transmission or distribution services.

"While it's an interesting development in the electric market, long-term savings are not guaranteed," the Citizens Utility Board says on its website. "The jury is still out on whether residential competition is going to bring real value to consumers in the long run."

Co-op members are not intended to be part of this marketing campaign. They already are part of a not-for-profit, consumer-owned, power-buying co-op that is looking at the long-term cost of power and reliability, not short-term profits.

The Illinois deregulation law that passed in 1997 treated not-for-profit, consumer-owned utilities differently than the for-profit utilities and did not mandate that these consumer-owned utilities enter the deregulated market. The reasoning was that consumer-owned utilities



were already aggregating their buying power, operating on a not-for-profit basis, and self-regulating by virtue of their democratic process for electing local leaders who can make the best decision for the greater good of their co-op.

Competition and choice are economic forces that may influence the wholesale market price for electricity. But supply and demand are even more important market forces. Although demand has been soft in recent years with the recession, supply is also drastically changing—and not for the better.

Market volatility is being caused by the current glut of electric generating capacity, but this is a short-term situation. Pending environmental regulation will likely cause the shutdown of many generating units, and an economic rebound will increase demand and dry up any excess power. New generation capacity is not being built fast enough to make up for this reduction in supply.

Will the cost of electricity go up? The simple truth is yes. It has and will likely continue to go up. That is why electric co-ops are working hard to provide innovative energy-efficiency programs, new rate options, transparent energy use awareness with new smart meters, diversified and increased power supplies, and continued reliability.

Electric cooperatives were started 75 years ago by consumers to bring the benefits of electricity to rural areas where market forces and profit potential just hadn't worked. Today, electric co-ops are still working to provide affordable, stable, and reliable electricity. These are economically challenging times for electric co-ops and their members, but together we will continue to follow common sense and the simple and time-tested principles of the cooperative business model.

If you have questions or concerns about this marketing campaign, please call our office at (866) 752-4550.



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