

BOOK REVIEW

Electric Utility Restructuring: A Guide to the Competitive Era by PETER FOX-PENNER. (Vienna, VA: Public Utilities Reports, Inc., 1997), 471 pages. ISBN# 0-910325-67-7.

Dr. Fox-Penner notes in his preface that in writing a survey of electric utility restructuring he would likely satisfy no one. "Colleagues would yawn at the absence of new answers, busy leaders would search in vain for a crisp bottom line, and practitioners of all sorts would find too little or too much of the particular things they were looking for." He is right. The only saving grace of this (seemingly) endless puff piece is the inclusion of extensive references, although in at least one case incomplete, and many useful tables and diagrams.

The arrival of his book has been announced with tremendous fanfare. The book's marketing fliers proclaimed that Dr. Fox-Penner's unique qualifications are unmatched by any other major player in electricity restructuring (just in case one was confused about what unique meant). The back cover of the book has plenty of praise such as, "likely to be a seminal tool for the restructuring debate," or "until now, the electric-industry restructuring literature manifestly lacked entries that combined technical virtuosity, economic literacy and a full appreciation of the critical pending public choices." Serious students, however, need not worry about reading this book (or for that matter, this review).

The book systematically addresses major restructuring issues and is divided into three major sections. The first section is an introduction to the electric power industry. It summarizes the origins of restructuring, power system operations, long-term planning, and industry structure, both past and future. The second section is "Competitive Electricity Markets." Its chapters cover the key elements of new power markets, short-run and long-run market issues, and retail choice, including an analysis of its costs and benefits. The final section is on public interest and the electricity industry. In putting in one place, chapters on universal service, environmental issues, renewables, reliability, and stranded cost, it highlights an area of discussion and debate that I think has not received the attention it deserves. In particular, the question that comes to mind in reading this section is should the electricity industry continue to be a vehicle for a variety of public policy programs after it is restructured.

As one would expect with a survey, the scope of this book is broad, and it dispenses quickly with many important subjects. There is an insert in the chapter on "Determinants of Electric Industry Structure" called "State Utility Regulation in One Easy Lesson." This lesson is slightly more than a page. Another example is the chapter on network reliability in a more competitive industry structure. This chapter is thirteen pages, including an appendix and

notes. In its brief presentation of topics, the book discusses each side of an issue but too often concludes with meaningless truisms. Using the reliability chapter as an example, the author concludes: "If they [reliability efforts] are successful in providing sound incentives for optimal investment and maintenance, the marketplace will improve reliability. If they miss the mark, the consuming public will experience reduced reliability and additional measures may be necessary." The book does provide an extensive bibliography and useful tables and schematics. The references span the economic literature, industry journals, and presentations. The guiding principle of the bibliography is length not discretion. Unfortunately, the bibliography does not contain all of the references cited in the text so one is left to wonder to what "Ruff (1996) p. 21" refers. The book does contain many useful tables and schematics that summarize key information and concepts but does not offer the convenience of a list of them.

In summary, the author has written a broad but shallow survey of electric utility restructuring. Its target audience is the uninformed, not serious researchers. But I believe that even the uninformed policy analyst or policy maker will conclude that the book lets style trump substance. In this regard, the text falls short of one of its goals of being the sequel to *Markets for Power*, which, although dated, is my recommended introduction to electric utility restructuring.

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Reference

Joskow, Paul L. and Richard Schmalensee (1983). *Markets for Power: An Analysis of Electric Utility Deregulation*. Cambridge, MA.: The MIT Press.