NERC, Regulation, the Clean Air Act, and Productive Efficiency, in Electric Utility Generation

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Abstract

This paper examines the impacts of federal deregulation acts, NERC membership, the Clean Air Act (CAA), and other factors on cost efficiency in generating electric power. The federal deregulation acts in question made it less difficult for non-utility power producers to enter the wholesale market. NERC membership provides electric utilities access to information that could be used to help enhance productive efficiency. Using a 1992 to 2000 panel of 34 major investor-owned electric utilities, empirical results indicate a reduction in firm market share (more competition among firms), having a fuel adjustment clause (firm not subject to CAA), enactment of state deregulation acts, and the benefits of NERC member over time, each contributed to improvements in cost efficiency. Compliance with the CAA (firms also have fuel clauses), and the deregulation acts, contributed to a reduction in cost efficiency.

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