



Rep. John Shadegg

Press Release

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Shadegg Switches Off Democrat Plan for Electricity Price Caps in California

WASHINGTON -- U.S. Congressman John Shadegg (R-AZ) today critiqued the Democrat solution to the California energy crisis. Shadegg, a member of the House Subcommittee on Energy and Air Quality, says the Democrats' plan to impose wholesale price caps will do little, if anything, to alleviate the current energy crisis and will not prevent it from reoccurring in the future.

"Wholesale price caps will not add a single megawatt of extra electricity nor will they improve the transmission of electricity to consumers' homes. In fact, any wholesale price cap, even a 'temporary' cap on newly built generation, will act as a disincentive to the construction of new generation," Shadegg stated. He added, "Utilities will not take the financial risk to build new plants unless they are sure that they will be able to fully recoup their investments and protect their shareholders. Sadly, the Democrats plan gives no such assurances."

"While the Democrats claim that a 'temporary' price cap solves the disincentive issue, they miss the point. Disincentives are created when there is a strong likelihood that utilities will be prevented from recovering their investment. No utility will spend millions of dollars for a new plant when they are faced with the precedent of having a price cap imposed upon them the next time there is a power shortage," said Shadegg.

Shadegg noted that utilities will look at companies whose existing generation is subject to even a "temporary" price cap and will say: "There, but for the grace of God, go I." They will then put their money somewhere safer.

"The severe electricity shortages afflicting California and other Western states have numerous causes; however, they are first and foremost the product of insufficient generation and transmission capacity. If we are really serious about solving this problem and ensuring that it does not reoccur, we will create incentives for the construction of new generation while taking feasible and prudent steps to address the short term needs of California and other Western states. We must develop solutions that address the immediate crisis, but we must avoid knee-jerk reactions like price caps. Price caps will not solve the problem and will likely hurt consumers in the long term by exacerbating and prolonging the current lack of electricity supply," Shadegg said.

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