

London Economics International LLC

For Immediate Release

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JULIA FRAYER VOICES CONCERNS ABOUT MARKET POWER POTENTIAL ARISING OUT OF WESTAR ENERGY'S ACQUISITION OF SPRING CREEK PEAKING FACILITY

February 6, 2006 – Julia Frayer, Managing Director of London Economics International LLC, submitted testimony at FERC today on behalf of Oklahoma Municipal Power Authority protesting Westar Energy, Inc.'s proposed acquisition of the 300 MW Spring Creek power plant in Oklahoma. Westar Energy, Inc., a Kansas-based vertically integrated utility, is proposing to buy the 300 MW peaker from ONEOK Energy Services Company, L.P. Given Westar Energy Inc.'s dominant position in its control area and influence over the adjoining control area of Oklahoma Gas & Electric (OGE), as well as the extent of transmission congestion, Ms. Frayer concludes that “the acquisition provides for expanded opportunities for Westar to engage in strategic behavior.” She supports her market power assessment through detailed analysis and simulation modeling of the Westar and OGE control areas using game theoretic approaches.

In recognition of competitive concerns raised by this acquisition, Westar Energy, Inc. had offered a mitigation plan to FERC, where it will divest some generation and/or construct new transmission. Julia Frayer concludes that the mitigation offer, as currently proposed, is inadequate in size and scope due to the potential for strategic behavior and generation market power abuses. She notes “The Applicants’ proposed divestiture targets are inadequate in restoring lost competition. The selected plants are located in a different part of the SPP market as compared to Spring Creek, and are on opposite sides of the constrained flowgate connecting Westar with OGE.” She further argues that “Transmission is not a MW-for-MW substitute for generation. If the competitive harm created by this acquisition is to be reversed, transmission capacity upgrades need to create sufficient competition to defeat the strategic bidding opportunities that Westar will obtain with its acquisition of the Spring Creek plant.” Ms. Frayer's entire testimony can be downloaded from FERC at http://elibrary.ferc.gov/idmws/File_list.asp?document_id=4376565.

London Economics International LLC provides consulting services and expert testimony on economic, financial, regulatory, and strategic issues to corporations, law firms, and public agencies world-wide from its Boston headquarters, with affiliated offices in Mexico City, Melbourne, London and Paris.

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