

Energy Plug



Restructuring Energy Industries: Lessons From Natural Gas

As the electric power industry enters a phase of deregulation and restructuring, it may be useful to look to the natural gas industry for lessons. In the quarter-century since the impetus to deregulate natural gas was born, the industry has witnessed regulatory reform, technological developments, resolution of stranded cost issues, the rise of new marketing mechanisms and financial instruments, and lower prices for natural gas—all generally promoting greater economic efficiency. Will similar benefits result from restructuring in the electric power industry?

“Restructuring Energy Industries: Lessons From Natural Gas,” a new report from the Energy Information Administration (EIA), explores this question by comparing the natural gas and electric power industries and analyzing the issues facing them. For example:

- **Size.** In terms of revenues, the electric power industry is as much as four times larger than the natural gas industry.
- **Products.** Natural gas can be produced at the most desirable rate and stored economically. Delivery rates can be varied by drawing on stocks. In contrast, electricity must be produced on demand.
- **Ownership.** Natural gas industry assets involved in production, transport, and distribution are usually owned by different companies. Among electric utilities, vertical integration dominates.
- **Regulation.** The regulatory histories of the two industries both go back to the Public Utility Holding Company Act of 1935 and are closely intertwined. The industries are usually regulated by the same board or commission at both the State and Federal levels. Federal regulators have relied on this parallelism in creating the foundation for electricity industry restructuring.

The restructuring processes of the two industries have different origins. In the gas industry, expanding demand collided with Federal price ceilings to create supply inequities and shortages in some markets. Restructuring in the electric power industry was driven by advances in gas turbine design and by new legislation that encouraged the growth of nonutility electricity generators with lower costs than electric utilities. These and other differences suggest that restructuring in the electric power industry may not precisely parallel the natural gas experience.

The report will be published in article form in the May issue of EIA’s *Natural Gas Monthly* and will be posted concurrently on EIA’s World Wide Web site at <http://www.eia.doe.gov>.

**Restructuring Energy Industries:
Lessons From Natural Gas**
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