

Opening Statement of Chairman Greg Walden
Subcommittee on Energy
Hearing on “Powering America: Examining the Role of Financial Trading in
the Electricity Markets”
November 29, 2017

(As prepared for delivery)

This is the eighth hearing in our committee’s ongoing Powering America series. Today, we will explore the effects of financial trading in the nation’s wholesale electricity markets. I look forward to hearing from our panel of witnesses to better understand how financial transactions can improve the efficiency of the energy markets, as well as efforts to protect consumers from improper trading activity in energy markets.

Electricity is intrinsically different than other commodities, as electricity is produced and consumed instantly. Although energy storage technology is becoming more economically feasible, it is not yet cost competitive at a utility scale. The inability to store electricity means supply and demand must constantly be balanced in real time. In turn, the instantaneous nature of electricity delivery and consumption can result in volatile energy prices.

Generators and load serving utilities can protect against price volatility by fixing the price of electricity for delivery at a future date by using various financial instruments such as a Financial Transmission Right (FTR). Today’s hearing gives us the opportunity to learn more about how these FTRs and other virtual financial transactions fit into today’s electricity markets.

Financial trading within electricity markets is complex and highly technical in nature. These financial products can improve the efficiency of electricity markets by increasing liquidity, mitigating market power, and improving the formation of energy prices, all of which can result in low cost electricity for consumers.

We must balance these benefits against a history that includes bad actors who have utilized complicated trading strategies to engage in

manipulation schemes in these energy markets. As I have said many times before, the American consumer always comes first. Consumers have come to expect competitive and efficient electricity markets that deliver affordable and reliable power.