



Electricity in the United States

Industry Profile

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EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Market Value

The United States electricity market grew by 1.3% in 2004 to reach a value of \$171.7 billion.

Market Value Forecast

In 2009, the market is forecast to have a value of \$196.3 billion, an increase of 14.3% since 2004.

Market Volume

The market shrank by 0.5% in 2004 to reach a volume of 2,478.9 billion KWh.

Market Volume Forecast

In 2009, the market is forecast to have a volume of 2,591.8 billion KWh, an increase of 4.6% since 2004.

Market Segmentation I

Households account for 45.9% of US electricity revenues.

Market Segmentation II

The US generates 22.7% of global electricity revenues.

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CHAPTER 1 MARKET OVERVIEW

1.1 Market Definition

The electricity market consists of the sale of electricity to industrial, commercial, household and other end-users. The volume of the market is calculated as the total volume of electricity consumed (in billions of kilowatt hours), and the market value has been calculated according to average end-user prices. Any currency conversions used in the creation of this report have been calculated using constant 2004 annual average exchange rates.

For the purposes of this report, Europe is deemed to be France, Germany, UK, Belgium, Italy, Netherlands, Spain, the Czech Republic, Denmark, Hungary, Norway, Poland, Russia and Sweden.

Asia-Pacific is deemed to be Japan, China, Australia, India, South Korea and Taiwan.

The global market is deemed to be the US, Canada, Europe, Asia-Pacific, Brazil, Mexico and South Africa.

1.2 Research Highlights

Strong price competition has created a period of value decline in the US electricity market, contrary to Europe and Asia-Pacific.

Looking forward, the market is forecast to improve upon its current performance, with an anticipated CAGR of 2.7% for the five-year period 2004-2009.

For the first time since the early 1980s, plans are being drawn up to introduce new nuclear plants in the US.

1.3 Market Analysis

The electricity market in the US has recovered well from a decline in revenues in the 2001-2002 period and looks set to improve upon this in the future. The market is currently the third largest in the world behind those of Asia-Pacific and Europe. Strong price competition and a steady population growth have created a period of value decline within the market in recent years as the market's liberalization allows it to re-enter a period of growth moving forward.

The US electricity market generated total revenues of \$171.7 billion in 2004, representing a compound annual rate of change of -2.7% for the five-year period spanning 2000-2004. Comparatively, the European and Asia-Pacific markets generated total revenues of \$199.2 billion and \$302.6 billion respectively in 2004, with respective compound annual growth rates (CAGR) of 2.8% and 3.8% over the same 2000-2004 period.

The household segment was the market's most lucrative in 2004, generating revenues of \$78.8 billion, equivalent to 45.9% of the market's overall value. The commercial segment also contributed significantly to the market's performance in 2004, with total revenues of \$56.9 billion, equating to 33.1% of the market's aggregate revenues.

The US has experienced a decline in growth in terms of its electricity consumption, using 2,478.9 billion KWh in 2004, representing a compound annual rate of change of -4.5% for the five-year period spanning 2000-2004. This decline in consumption is primarily due to the mature nature of the market and rising oil prices. In comparison, the European and Asia-Pacific markets consumed 2,911.6 billion kWh and 3,543.5 billion KWh respectively in 2004.

Looking forward, the market is forecast to improve upon its current performance, with an anticipated CAGR of 2.7% for the five-year period 2004-2009 expected to drive the market to a value of \$196.3 billion by the end of 2009. In terms of consumption, the US electricity market is forecast to have reached a volume of 2,591.8 billion KWh by 2009, which equates to a CAGR of 0.9% for the five-year period 2005-2009.

CHAPTER 2 MARKET VALUE

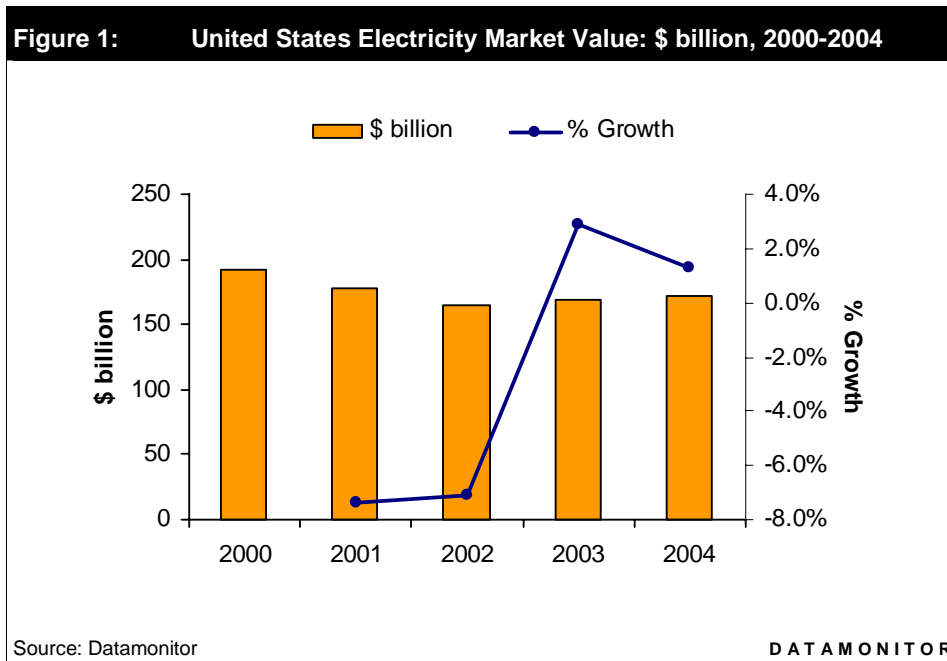
The United States electricity market grew by 1.3% in 2004 to reach a value of \$171.7 billion.

The compound annual rate of change (CARC) of the market in the period 2000-2004 was -2.7%.

The largest growth came in 2003, when the market increased by 2.9%.

Table 1: United States Electricity Market Value: \$ billion, 2000-2004		
Year	\$ billion	% Growth
2000	191.5	
2001	177.4	-7.40%
2002	164.8	-7.10%
2003	169.6	2.90%
2004	171.7	1.30%
CAGR, 2000-2004:		-2.7%

Source: Datamonitor DATAMONITOR



CHAPTER 3 MARKET VOLUME

The United States electricity market shrank by 0.5% in 2004 to reach a volume of 2,478.9 billion KWh.

The compound annual rate of change (CARC) of the market volume in the period 2000-2004 was -4.5%.

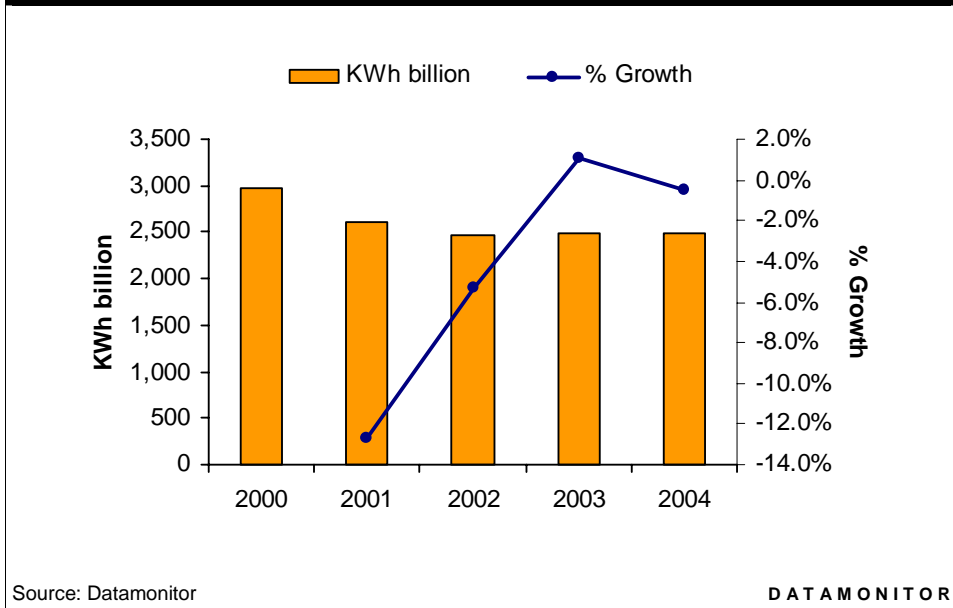
A fall came in 2001 when the market shrank by 12.7%.

Table 2: United States Electricity Market Volume: KWh billion, 2000-2004

Year	KWh billion	% Growth
2000	2,982.5	
2001	2,603.7	-12.70%
2002	2,465.3	-5.30%
2003	2,491.5	1.10%
2004	2,478.9	-0.50%
CAGR, 2000-2004:		-4.5%

Source: Datamonitor DATAMONITOR

Figure 2: United States Electricity Market Volume: KWh billion, 2000-2004



CHAPTER 4 MARKET SEGMENTATION I

Households account for 45.9% of US electricity revenues.

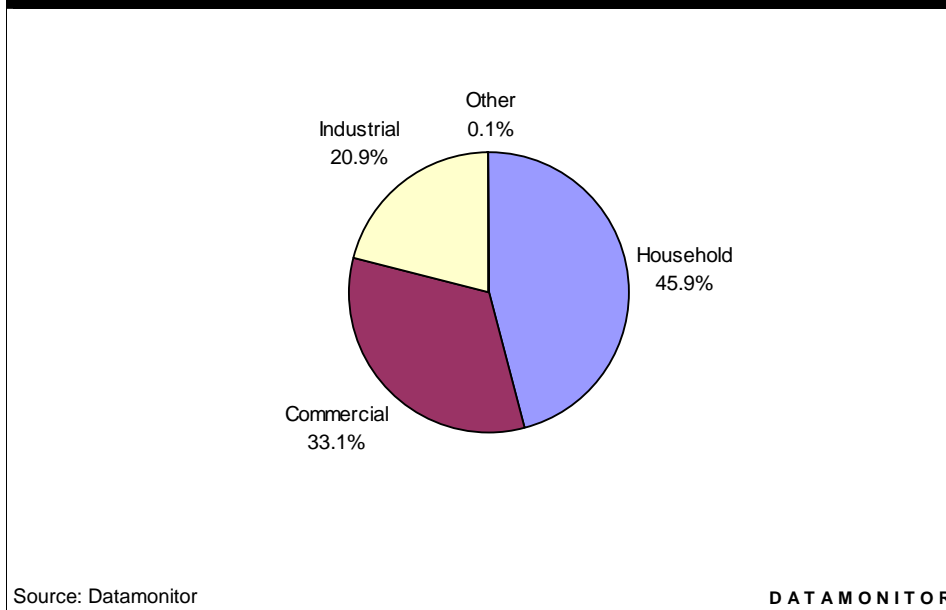
The commercial sector comprises a further 33.1% of the market.

Table 3: United States Electricity Market Segmentation I: % Share, by Value, 2004

Category	% Share
Household	45.90%
Commercial	33.10%
Industrial	20.90%
Other	0.10%
Total	100.0%

Source: Datamonitor DATAMONITOR

Figure 3: United States Electricity Market Segmentation I: % Share, by Value, 2004



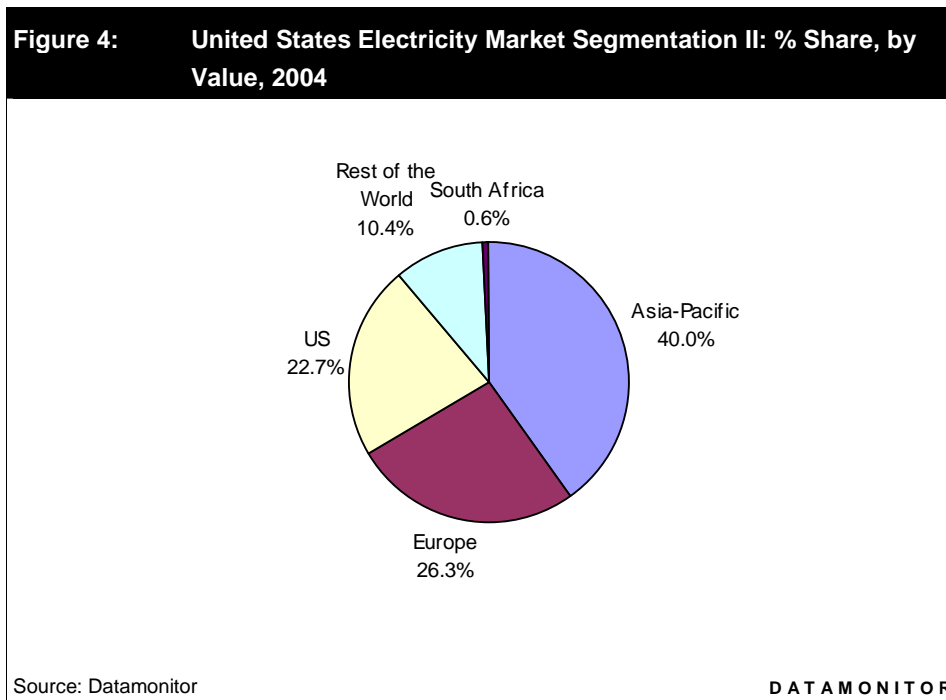
CHAPTER 5 MARKET SEGMENTATION II

The US generates 22.7% of global electricity revenues.

Asia-Pacific dominates, holding a 40% share.

Table 4: United States Electricity Market Segmentation II: % Share, by Value, 2004	
Geography	% Share
Asia-Pacific	40.00%
Europe	26.30%
US	22.70%
Rest of the World	10.40%
South Africa	0.60%
Total	100.0%

Source: Datamonitor DATAMONITOR



CHAPTER 6 COMPETITIVE LANDSCAPE

The US electricity market has experienced significant decline over the last five years. It is hoped that liberalization of the US market will improve this situation, opening up greater competition within the market, as the number of companies operating at a purely regional level is reduced. Furthermore, large companies will also be able to expand further, through mergers and acquisitions, gradually squeezing smaller firms out.

During the late 1990s, many electric utilities in the country attempted to expand their operations and revenues through investments in power plants and energy trading activities. However, between 2001-2002, economic decline led to a significant reduction in demand for electricity, resulting in massive excesses in generating capacity and subsequent declines in prices. This left many companies carrying high levels of output that they were unable to sell at a price sufficient to cover costs, resulting in massive losses. In order to recover from this downturn, since 2002, most companies have refocused on their traditional utility businesses and divested non-core operations, which has ensured greater financial stability, but lowered long-term revenue potential.

The Exelon Corporation, owner of utilities in northern Illinois and eastern Pennsylvania, recently announced the acquisition of the Public Service Enterprise Group of New Jersey in a deal valued at \$12.8 billion and is set to create the largest power company in the US, subject to approval by federal and state regulators. The combined company, Exelon Energy and Gas, will generate over 52,000 megawatts of power, serving nine million customers and providing around \$26 billion in annual revenues.

Faced with skyrocketing natural gas and oil prices and uncertainty over the costs of containing carbon emissions from coal-fired plants, electricity generators believe that nuclear plants are becoming economically competitive and safer. For the first time since the early 1980s, plans are being drawn up to introduce new nuclear plants in the US.

CHAPTER 7 LEADING COMPANIES

7.1 Exelon Corp.

Exelon Corporation (Exelon) is a public utility holding company, which through its subsidiaries, is engaged in the generation and distribution of electricity. It is headquartered in Chicago, Illinois and employs about 20,000 people.

The company recorded revenues of \$14.5 billion during the fiscal year ended December 2004, an decline from \$15.8 billion in fiscal 2003. The company's operating income was \$3.4 billion during fiscal 2004, a rise over \$2.2 billion in fiscal 2003.

7.2 Long Island Power Authority

Long Island Power Authority (LIPA) owns the electric transmission and distribution system on Long Island that delivers power to more than 1.1 million retail customers. The company's network, which is managed and operated by KeySpan, consists of nearly 14,000 miles of overhead and underground lines. LIPA offers energy conservation products and services, as well as incentive programs to encourage customers to purchase energy from environmentally friendly power generation sources. LIPA is a municipally owned, not-for-profit utility company.

For the year ended December 2004, the company generated revenues of \$2.85 billion, up from \$2.58 billion the previous year.

7.3 New York Power Authority

New York Power Authority (NYPA) is the US' largest state-owned utility. It operates 17 generating facilities and more than 1,400 circuit-miles of transmission lines. The company is headquartered in White Plains, New York.

For fiscal 2004, NYPA generated revenues of \$2,215 million, a decrease over the previous year's revenues of \$2,292 million.

7.4 City Public Service

City Public Services (CPS) is one of America's largest municipal utility companies - serving more than 600,000 electricity customers and 300,000 gas customers in the urban San Antonio region. CPS is owned by the City of San Antonio and proceeds from the company account for more than one-fifth of the City's annual operating budget. CPS is headquartered in San Antonio, Texas.

For the fiscal year ended January 2005, the company generated revenues of \$1,471.7 million, down from \$1,503.8 million the previous year.

7.5 The Sacramento Municipal Utility District

The Sacramento Municipal Utility District (SMUD) is one of the largest locally owned electric utilities in the US. SMUD serves more than 550,000 retail customers in California's Sacramento and Placer counties. The utility generates half of its electricity primarily from hydroelectric and cogeneration power plants and buys the rest. SMUD also sells power to wholesale customers, and it has one of the US's largest solar energy distribution systems. In response to deregulation and ensuing difficulties in California's power market, SMUD is increasing its generation capacity and has created its own transmission control area.

For the fiscal year ended December 2004, the company generated revenues of \$1.07 billion, up from \$1.03 billion in 2003.

CHAPTER 8 MARKET FORECASTS

8.1 Market Value Forecast

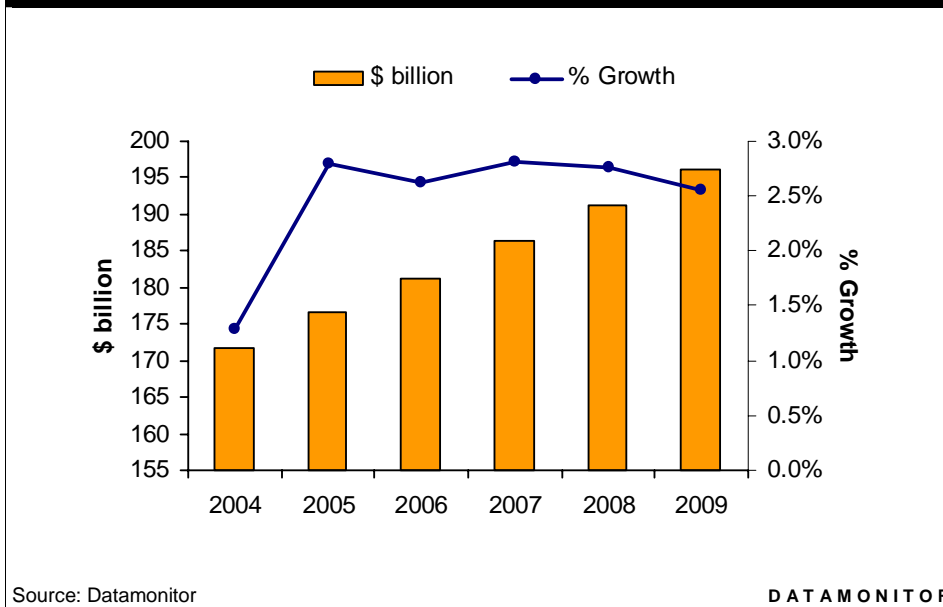
In 2009, the United States electricity market is forecast to have a value of \$196.3 billion, an increase of 14.3% since 2004. The compound annual growth rate (CAGR) of the market in the period 2004-2009 is predicted to be 2.7%. The strongest growth is predicted for 2007, when the market is forecast to grow by 2.8%.

Table 5: United States Electricity Market Value Forecast: \$ billion, 2004-2009

Year	\$ billion	% Growth
2004	171.7	1.30%
2005	176.5	2.80%
2006	181.2	2.60%
2007	186.3	2.80%
2008	191.4	2.80%
2009	196.3	2.60%
CAGR, 2004-2009:		2.7%

Source: Datamonitor DATAMONITOR

Figure 5: United States Electricity Market Value Forecast: \$ billion, 2004-2009



8.2 Market Volume Forecast

In 2009, the United States electricity market is forecast to have a volume of 2,591.8 billion KWh, an increase of 4.6% since 2004.

The compound annual growth rate (CAGR) of the market volume in the period 2004-2009 is predicted to be 0.9%.

The strongest growth is predicted for 2007 when the market is forecast to grow by 1.0%.

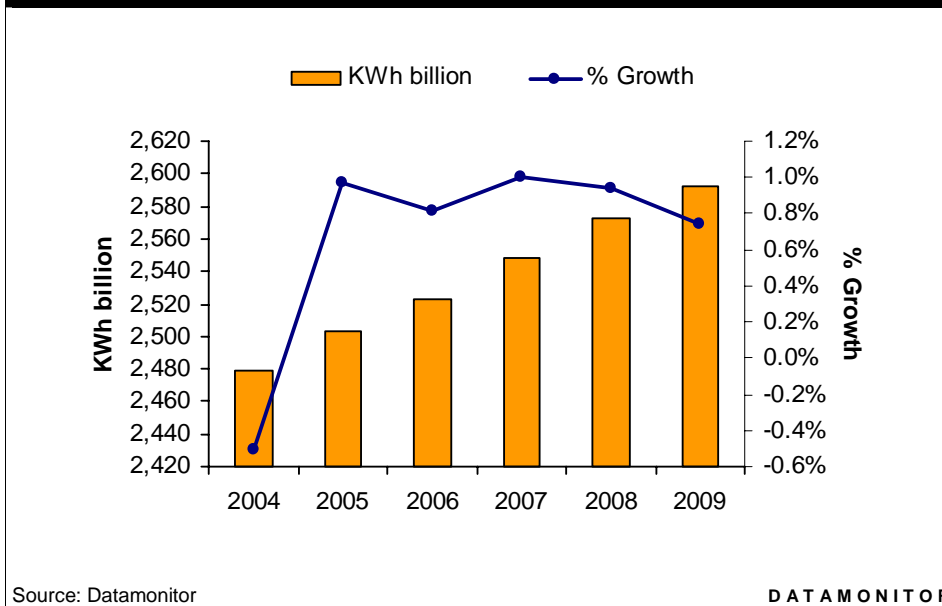
Table 6: United States Electricity Market Volume Forecast: KWh billion, 2004-2009

Year	KWh billion	% Growth
2004	2,478.9	-0.50%
2005	2,503.1	1.00%
2006	2,523.4	0.80%
2007	2,548.7	1.00%
2008	2,572.7	0.90%
2009	2,591.8	0.70%
CAGR, 2004-2009:		0.9%

Source: Datamonitor

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Figure 6: United States Electricity Market Volume Forecast: KWh billion, 2004-2009



Source: Datamonitor

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CHAPTER 9 MACROECONOMIC INDICATORS

Table 7: United States Size of Population (million) , 2000-2004		
Year	Population (million)	% Growth
2000	282.3	
2001	285.0	1.00%
2002	287.7	0.90%
2003	290.3	0.90%
2004	293.0	0.90%

Source: Datamonitor D A T A M O N I T O R

Table 8: United States GDP (1995=100), 2000-2004		
Year	1995=100	% Growth
2000	122.2	
2001	122.8	0.50%
2002	125.5	2.20%
2003	129.5	3.20%
2004		

Source: Datamonitor D A T A M O N I T O R

Table 9: United States Inflation, 2000-2004		
Year	Inflation Rate (%)	% Growth
2000	3.4	
2001	1.6	-54.20%
2002	2.4	53.20%
2003	1.9	-20.90%
2004	2.2	18.80%

Source: Datamonitor D A T A M O N I T O R

CHAPTER 10 FURTHER READING

10.1 Sources

This report is based on a combination of primary Datamonitor research, including online, face-to-face and telephone interviews with consumer and industry players, and secondary research using various sources (including trade associations, news providers and others).

Other Sources

Energy Information Administration

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<http://www.eia.doe.gov/>

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75739 Paris Cedex 15, France

Tel: 33 1 40 57 65 00/01

Fax: 33 1 40 57 65 59

<http://www.iea.org/>

10.2 Related Datamonitor Research

Datamonitor Industry Profiles

Global Electricity (\$200)

Electricity in Canada (\$200)

Electricity in Mexico (\$200)

Electricity in Brazil (\$200)

Electricity in South Africa (\$200)

Electricity in Europe (\$200)

Electricity in Asia-Pacific (\$200)

Electricity in China (\$200)

Electricity in Japan (\$200)

Electricity in the United Kingdom (\$200)

Electricity in Germany (\$200)