

COMPETE

Electricity Competition **IS** the Public Interest

Watt's Up?

April 2009 Newsletter

Customer Voices Had Significant Impact in Maryland

Customers' interests were heard loud and clear during the recent legislative debate in Maryland over whether to re-regulate the state's electricity market.

From providing testimony before legislative committees, to sending joint, personal and employee letters to legislators and the Governor, placing phone calls, and having face-to-face meetings with lawmakers – **COMPETE** members left no stone unturned. And the hard work paid off on April 11 when the Maryland House Economic Matters Committee, by a vote of 21-2, pulled the plug on SB844, a bill approved earlier by the Maryland Senate that would have ended retail choice and essentially erased the 1999 restructuring of the electricity industry in the state.

Congratulations to the many **COMPETE** members who engaged on this issue over the last few weeks and months. You made a real difference!

The issue of re-regulation is expected to be taken up again when the Maryland Legislature returns next session, and **COMPETE** will continue to engage with its members and with like-minded organizations to ensure ongoing education of policymakers and the media, in anticipation of a revival of the re-regulation debate in the 2010 legislative session.

Former Energy Sec'y Peña Named New COMPETE Co-Chair

COMPETE is pleased to announce that Federico Peña, former U.S. Secretary of Energy and of Transportation, has been named the new co-chair of the **COMPETE** Coalition. He replaces Ron Kirk, who has become the Obama administration's U.S. Trade Representative. Peña, a former mayor of Denver, is a Senior Advisor at the global equity firm Vestar Capital Partners. Peña recently served as National Co-Chair of the Obama for President campaign and on the advisory board to the Obama-Biden Transition Team.

Secretary Peña looks forward to working with his fellow co-chair, former U.S. Senator Don Nickles, and the growing membership of the **COMPETE** coalition to promote the economic and environmental benefits of competitive electricity markets for consumers.

"Given the unprecedented economic, energy and environmental challenges confronting our nation, this is absolutely the worst time to turn our backs on electricity competition. Only by allowing competitive markets to realize their full promise will we be able to address these challenges," Peña said. "I look forward to working with **COMPETE**'s many customer members who are increasingly speaking out in national and state-level debates to preserve the benefits they continue to

see in competitive electricity markets.”

“Secretary Peña’s strong insight and understanding of energy issues, coupled with his long-term support for competitive electricity markets, makes him a perfect addition to the **COMPETE** team,” said **COMPETE** Executive Director Joel Malina. “Secretary Pena recognizes that the innovation necessary to find solutions to our most critical energy challenges will be found through restructured, competitive markets, not monopolies.”

APPA Just Plain Wrong

A new report by LECG concludes that electricity market reform proposals advocated by the American Public Power Association (APPA) would not lower power prices but would stymie investment critically necessary to keep electricity supplies reliable. The report, *Electricity Market Reform: APPA’s Journey Down the Wrong Path*, was authored by William W. Hogan and John Chandley, experts in electricity markets and regulation with LECG.

The LECG analysis shows that the changes APPA advocates would have various adverse impacts and undermine the existing pricing mechanisms in organized competitive wholesale markets, including:

- 1) Limit access to grid services essential to accommodate new market entrants;
- 2) Reduce grid usage and result in less economic trading between regions, leading to higher costs for consumers;
- 3) Create potential investment shortages for new generation resulting in long-term reliability problems; and
- 4) Restrict RTO services that encourage deployment of demand response and renewable energy resources and that accommodate retail choice.

“Proposals to unravel the prevailing RTO market model threaten the investment required to maintain system reliability and promise to complicate the ability of independent market monitors to police against anticompetitive behavior and potential manipulation,” Hogan added.

“Our study examined the evolution of electricity markets in various regions of the country and found various reforms embraced by APPA have been tried and discarded in the past,” Chandley explained.

The report was featured in several trade publications, including *Platts*, *SNL Power Daily*, *Energy Choice Matters*, *Electric Power Daily*, *Restructuring Today*, among others.

On April 15 Chandley and **COMPETE**’s counsel and former FERC Commissioner, Bill Massey met with FERC’s senior staff and Commissioner advisors to present the findings of the LECG paper.

The LECG paper along with a **COMPETE** fact sheet on the report and press release can be found at www.competecoalition.com.

COMPETE Members Weigh in on FERC DR Action Plan

Customers and demand response members of **COMPETE** met with FERC staff April 21 to provide important feedback on the agency's draft National Action Plan on Demand Response. **COMPETE** members participating in the meeting included Steve Elsea (Leggett & Platt), Bill Balsamo (PetSmart), Mike Gordon (CPower) and Paul Tyno (ECS).

The FERC staff appreciated **COMPETE**'s input, noting the value of the customer voice. The staff solicited input on a variety of issues related to DR, including standardization, cost effective deployment, public positioning, tools for education and outreach, and targets for engagement at the grassroots and national level.

FERC will continue to elicit stakeholder feedback on the draft Plan through Q2 2009, with an Expanded Discussion Draft set to be released for comment during the summer. The target publication date for a final National Action Plan is June 2010, with an implementation proposal due to Congress by December 2010.

Washington Gas to Buy Power for MD State Agencies

In a move that the State of Maryland hopes could save \$10 - \$15 million (or 10 – 15 percent of its energy budget), the state has contracted with Washington Gas to buy market-priced electricity for state agencies as the state revamps the way it buys power to cut costs and consumption. About two-thirds of the states' power needs will be bought incrementally and will include the state's larger power accounts, including state prisons, courts, universities and stadiums.

In the past, Maryland bought power in a two-year contract, locking in a rate for that period. Under the new contract with Washington Gas, the company will buy power in blocks on the state's behalf in order to benefit from the electricity market. "With this strategy the state is leveraging its electricity buying power to provide a much needed measure of price stability and protection," Gov. Martin O'Malley said in a statement.

[Editor's note: Ironic, is it not, given that the Governor wants to eliminate customer choice in Maryland?]

NYISO Prices Drop to Lowest Levels Since 2003

The New York Independent System Operator (NYISO) reported that wholesale electricity prices in New York have dropped to their lowest level since 2003. The average cost of wholesale electricity in the state was \$45.63 per megawatt-hour in March. The last time they were this low was in November 2003 when the average cost was \$43.40/MWh.

In addition, 2008 wholesale electricity prices, adjusted for fuel costs, were 18 percent lower than prices in 2000 when the markets began operating in New York, a \$2.23 billion reduction in wholesale electricity costs on a current annual basis. Since 2000, over \$5.5 billion has been invested to build more than 6,000 MW of new generation, with more than 80 percent sited where demand is greatest (New York City, Long Island and the Hudson Valley). New transmission facilities, with investments of nearly \$1 billion, have increased capacity connecting New York and neighboring markets by nearly 1,000 MW.

Competitive pressure in the NYISO is also improving generator efficiency. Heat rate, a measure of how efficiently a plant converts fuel to electricity, improved 21% over the last decade, demonstrating that competitive markets are encouraging investment in better, more cost-effective plant technology, according to the NYISO. By using fuel more efficiently, a generator can lower emissions and operating costs, which results in economic and environmental benefits for consumers.

"Competition has provided the incentive for producers to lower their operating costs," said Stephen Whitley, NYISO president and CEO. "This is a direct result of the sometimes misunderstood uniform clearing price methodology. By compelling generators to compete to sell power, the market encourages them to produce as efficiently as possible. We are seeing the effect of their efficiency investments in their heat rates, as well as in electricity market prices."

Also, there are now more than 2,000 MW in NYISO demand response programs, which provide incentives for electricity customers to reduce their power use during times of peak demand. The size of the programs, equivalent to four large power plants, has grown more than ten-fold since the inception of the New York electricity market.

Consumers Shop for Energy in Record Numbers in 2008

According to a U.S. Energy Information Administration (EIA) report, power markets were going strong at the end of 2008. The number of marketers providing services to residential customers grew or remained the same in most states with retail competition. The total was 99 firms in 2008 — 9% higher than the 91 operating in 2007. Thirty-six marketers have licenses in multiple states.

Among the largest increases were those in New York, Illinois and Pennsylvania. Each of these states has adopted smart, high-value, low-cost regulatory safeguards that lower the costs to serve even the smallest consumers. States that have lowered the cost of serving consumers are finding truly impressive increases in consumer shopping and consumer savings. The heaviest competition is found in New York where 50 marketers are active — the highest in the nation. Customers in some parts of New York State have a choice of over 30 marketers and 50 different price offerings including introductory discount rates, month-to-month variable rates, and fixed rates for longer terms and budget plans.

Ohio Municipal Customers Could Save \$50 Million

The Northeast Ohio Public Energy Council (NOPEC), a coalition representing 126 communities in Northeast Ohio, has signed a contract with an independent electricity retailer, Gexa Energy Ohio LLC, to supply power at a discount to as many as 600,000 FirstEnergy customers. The deal could save NOPEC's customers as much as \$50 million over two years according to the Council.

The savings will not be determined until after FirstEnergy adjusts its retail rates on June 1 to reflect the results of a May 13 auction to procure wholesale power. FirstEnergy's revised rates will establish the price for Gexa to beat and NOPEC will then work with their new supplier to get the electricity rate down to a competitive point.

The NOPEC agreement is with Gexa Energy Ohio LLC, a new marketing company that is part of the FPL Group. FPL's unregulated power plant subsidiary, FPL Energy, renamed NextEra Energy Resources in January, will supply the power that Gexa Energy delivers. NextEra owns gas-fired and nuclear power plants as well as wind and solar generation. It claims to be the nation's largest generator of green power, with 56 wind turbine farms in 16 states. The power it will deliver to Ohio includes 50 percent more green credits - required under Ohio's new utility law - than the power FirstEnergy will buy through its auction.

NOPEC expects its new electric rates through Gexa Energy to take effect as soon as August 1. The contract would extend up to 22 months and through May 2011.

Texas Still at the Top in Wind – IA Passes CA

Texas remains the leading wind energy state, but Iowa has now surpassed California to take the number 2 spot, according to a study from the American Wind Energy Association (a **COMPETE** member).

Texas wind generators now produce 7,118 MW of electricity, with Iowa's 2,791 MW now just ahead of California's 2,517 MW. The study also noted that Iowa and Minnesota now generate 7 percent of their electricity from wind, and that Indiana is the state with the fastest wind energy growth on a percentage basis. U.S. wind farms, with a capacity of 25,300 MW at the end of 2008, should be able to generate about 73 billion kilowatt hours of power in 2009, enough to serve nearly 7 million homes.

For more information visit www.awea.org.

CA Restarts Daily Electricity Auction

The California Independent System Operator (CAISO) has successfully launched its competitive wholesale power market overhaul, culminating a decade of efforts to reform the state's market. The revised market is now much like PJM, New York, New England and the Midwest organized markets because it uses locational marginal pricing and operates a real time spot market as well as a new "day ahead" market will line up electricity resources for delivery the next day.

According to the CAISO announcement, this program brings increased grid and market efficiencies, reduces barriers to alternative resources of power such as demand response and renewable generators, and gives the grid operators new tools to manage transmission bottlenecks and dispatch the least-cost power.

Nebraska Utilities Enter Southwest Power Pool

The Nebraska Public Power District, Lincoln Electric System and the Omaha Public Power District have officially joined the Southwest Power Pool (SPP), bringing with them almost all of Nebraska's electricity system except a strip of territory on the western border. The North American Electricity Reliability Corporation (NERC) recently certified that SPP has the needed tools, processes and procedures to perform as the reliability coordinator for its expanded footprint. The three utilities are now taking part in SPP's energy market and the RTO is administering transmission service. SPP has seen its geographic footprint expand 30 percent

and the miles of transmission it oversees has grown by 16 percent. The addition of the Nebraska utilities will add more diversity to SPP's generation mix and broaden the regional energy marketplace, adding value for SPP members.

PA to (Again) Tackle Removal of Rate Caps

After leaving the issue on the table during the last legislative session, Pennsylvania lawmakers will once again try to tackle how best to ease customers into market-based rates when rate caps expire beginning later this year. Several pieces of legislation have been introduced to address the removal of rate caps. One bill would phase in rate increases for residential and small commercial customers by limiting increases to no more than 20% a year for three years. It was approved unanimously by a House committee and was sent to a second committee for consideration.

PPL's rate caps expire December 31, 2009. PECO and Allegheny Energy's rate caps will expire December 31, 2010.

Citizens for Pennsylvania's Future (PennFuture) supports the phase in said Jan Jarrett, President and CEO of PennFuture. Jarrett expressed optimism about the extent and impact of the impending rate increases. "Robust retail competition developed when caps expired for Duquesne Light and Penn Power and rates did not rise. About 50% of their load is now served by competitive suppliers," she pointed out.

PPL procured power last summer when the price of power was high, so it expects rates to increase about 30%, Jarrett said. Allegheny and PECO are procuring power this spring when prices are significantly lower. "So the projected increases could be much less now that high energy prices have collapsed."

More Rate Increases in Vertically Integrated States

Unless state regulators step in, Michigan's two major utilities may raise residential electric bills by double-digit percentages. The typical **Consumers Energy** household could pay 11 percent more starting in May, adding \$10 to their monthly bill and \$125 annually. Beginning in July, **Detroit Edison's** average resident could pay 11 percent more or about \$7 more per month and \$83 more a year. The rate hikes take effect automatically under a new state law unless the Michigan Public Service Commission acts within six months of the requests being filed.

Appalachian Power and **Wheeling Power** want regulators to approve \$442 million in fuel, purchased power and environmental compliance project expenses. Leading power firms are struggling with the higher coal prices. For power users in the state, that means a boost in rates of about 43% on top of an 11% rate hike the firms received last year. Appalachian also asked the West Virginia PSC to put the 43% rate hike in over three years. Under the firm's plans, the first year would see a boost of 18.5% followed by increases of 14.5% and 13.2% in years two and three respectively. The three-year phase actually adds up to 46.2%.

Dominion Virginia Power is hiking electricity rates by 7 percent during the next 14 months to pay for equipment, salaries, plant construction and conservation projects. This comes just one year after the state's largest energy provider raised

rates by 18 percent to cover fuel costs, the largest one-time rate increase in three decades.

COMPETE Members in the News

- Under a new power purchase agreement, **Wal-Mart** will buy the output of solar power systems operated and maintained by BP Solar. BP Solar will initially focus on building as many as 20 rooftop systems and will work with the retailer to evaluate the potential for additional projects. BP Solar said it will install up to 10 MW of photovoltaic solar capacity within the next 18 months for California-based stores owned by Wal-Mart. In 2008, BP Solar said it completed 4.1 MW of solar installations for seven California-based Wal-Mart stores and Sam's Clubs, also owned by Wal-Mart.
- Gary Skulnik, President of **Clean Currents** did not mourn the death of legislation that would have re-regulated energy generation in Maryland according to a posting in the [Baltimore Sun: Bay & Environment blog](#).

Skulnik feared that re-regulating energy would put small entrepreneurial companies like his at a competitive disadvantage. He said his small Maryland-based firm, with just 10 employees, lacks the legal and lobbying resources to jockey with the big utilities at the Public Service Commission. His firm has signed up almost 1,500 residential customers and about 300 businesses.

The Rockville, Maryland-based company sells "green" energy to consumers and lately it's been able to sell wind-based energy for less than what you'd pay to buy electricity from BGE or Pepco. Clean Currents offers fixed-price electricity plans with 50 percent or 100 percent generated by wind turbines (elsewhere, not in Maryland).

"We're hoping **Clean Currents** will be the Apple of the clean-energy industry," he said.

Companies hoping to develop wind farms in Maryland had initially expressed concerns about the move to re-regulate, but persuaded lawmakers to amend the proposal to exempt facilities that generated 70 megawatts or less of power - the upper limits for all the projects currently seeking approval.

Supporters of re-regulation, including some environmental activists, argued that alternative energy generation needs a push from the state. But Skulnik worried that re-regulation might instead delay or even squelch opportunities to win more consumers with green energy, with market forces aligned to make it more competitive.

- John Shelk, President and CEO of the **Electric Power Supply Association** (EPSA), told reporters April 15 that the economy and the environment would be best served through the continued development of competitive wholesale power markets.

While some states have "rolled back the clock" on competition, support for increased competition seems to have gained traction in places such as Oklahoma and the Southeast, Shelk said. An increasing number of people

there are “not thrilled” by the performance of their vertically integrated utilities, he observed.

Shelk pointed to a recent study by a North Carolina citizens group that said Duke Energy Corp. and Progress Energy Inc. customers in the Carolinas could see steep rate increases to cover the cost of new base-load power plants at a time when there are many underutilized power plants in the Southeast owned by independent suppliers.

There are reasons for hope in increased competition, Shelk said. He pointed to encouraging findings included in a July 2008 report issued by the National Association of Regulatory Utility Commissioners as well as a set of resolutions NARUC made in February on topics including the study of utility practices on competitive procurement of retail electric supply.

EPSCA continues to stress that regional electricity markets are the best approach — recently criticizing efforts by states such as Maryland to re-regulate through legislation that would limit competition and give state regulators the power to order the building or acquisition of new generation. “Obviously, we believe regional is better,” Shelk said.

- The *Boston Business Journal* reported that **EnerNOC Inc.** has signed deals with four Maryland utilities to provide up to 250 megawatts of demand-response capacity in the state. EnerNOC will provide up to 60 percent of the additional capacity needed to meet Maryland’s electricity demand between 2011 and 2016. The capacity will be provided through the PJM Interconnection Emergency Load Response Program.

“Our track record in PJM’s Emergency Load Response Program, as well as our history solving similar challenges in capacity constrained regions, make EnerNOC uniquely positioned to deliver on commitments of this magnitude,” said Tim Healy, chairman and CEO of EnerNOC. “EnerNOC’s financial strength enables us to participate in scale in some of the largest and most attractive demand response markets, like this opportunity in Maryland,” Healy said.

- A report in the *Wall Street Journal* noted that **AT&T Corp.** and other wireless carriers are working to provide the wireless communications link to millions of “smart meters” being installed by electric and gas companies. Unlike older electric meters that tallied up energy use when a utility employee came to read the meter, smart meters record more information, such as when the power is being consumed and at what price. This can help utilities manage the power and enable consumers to find cost savings.

The best part for consumers is they may eventually be able to monitor and control home-energy use through a cell phone that talks to a digital meter and other devices, even though that service is still in development.

AT&T says it also wants to develop software and data-management systems of its own to help utilities and consumers mine meter information. “There’s a burgeoning opportunity for us in the IT space,” said Chris Hill, vice president of mobility products in AT&T’s business solutions unit.

- *Greentech Media* reported that **Itron** (a leading smart meter maker) and Verizon have joined in an effort to provide data from smart meters to utilities. The partnership links Itron's radio mesh communications, which connect meter to meter and meters to concentrator points, to Verizon's wireless networks, which carry the data back to utility central offices.

Other utilities are looking at cellular networks — along with other options like fiber-optic and broadband over power line — to carry those “backhaul” communications. This doesn't mean that Itron plans to use Verizon's networks to connect individual homes' smart meters. That's something that **AT&T** announced it would do with smart meter networking provider SmartSynch and something KORE Telematics is already doing - using AT&T's wireless network to connect an about 800,000 smart meters being installed by Arizona Public Service utility.

COMPETE Member Opinion

Two **COMPETE** members recently submitted commentaries and letters to local newspapers. In addition, the Commonwealth Foundation in Harrisburg, PA shared an opinion, all of which appear below.

We encourage all **COMPETE** members to submit opinion pieces in support of electricity competition to local newspapers.

Electric law rewrite is showing its teeth

David I. Fein
The Lansing State Journal
April 15, 2009

"Comprehensive energy reform will bring modest rate increases to customers, but doing nothing is the most expensive option." Those were words of Rep. Frank Accavitti, D-Eastpointe, and Sen. Randy Richardville, R-Monroe, in the LSJ on Sept. 7, 2008, as they defended the Legislature's work to rewrite state energy law.

Fast-forward to 2009. The state's two largest utilities, Consumers and DTE, have both filed rate increase plans. Unless the Public Service Commission rejects the plans, residential customers of Consumers face an 11 percent increase. DTE residential customers will be on the hook for 11 percent, as well.

It's doubtful that hard-pressed Michigan residents think an 11 percent price increase is "modest," despite what some of their well-paid state legislators might say.

When members of the public don't like a business' prices, they always can take their business elsewhere, right?

Well ... not really in this case.

The same legislation Accavitti and Richardville were defending last year also places limits on competition. No more than 10 percent of DTE's or

Consumers' customers can get their power from competitor firms. For 90 percent of the market, it's the big utility or bust.

That's what passed for bipartisan, comprehensive energy reform in Michigan last year.

Michigan residents still can hope that the PSC rejects the rate proposals. However, under the 2008 rewrite, the big utilities can impose their new rates while awaiting a review from the state.

A DTE spokesman last month defended his firm's rate filing by noting the company had cut 2,000 jobs in recent years. He left out a salient point about one of the remaining jobs, however:

"The chairman and chief executive of electric and natural gas utility company DTE Energy Co. received compensation valued at about \$7 million in 2008, a 2 percent increase from a year earlier, according to an Associated Press analysis of data filed with regulators Monday."

A good chunk of mid-Michigan is lucky. Being served by the Lansing Board of Water & Light, a municipal utility, these residents are not subject to the electric rate decisions of Consumers and DTE.

For those in the Consumers and DTE service areas, though, the coming months and years will provide unpleasant evidence that the Legislature didn't perform due diligence on energy policy changes in 2008.

Call that analysis a "modest" criticism of those paid to represent the public's interest.

David I. Fein, Vice President, Energy Policy - Midwest/MISO, Constellation Energy Group, Inc.

Re-regulation is wrong answer

Gene Alessandrini
Baltimoresun.com
April 5, 2009

Concerns about higher energy prices are real and must be addressed. But turning back the clock and re-regulating energy will not reduce electric bills for Maryland consumers ("Rush to re-regulation," April 1).

Maryland businesses have testified before legislative committees that they are saving money on electricity because they now have a choice of suppliers - a choice they would likely lose under the bills now being considered to re-regulate the energy market.

Also overlooked in the re-regulation debate is the fact that Maryland moved to a competitive model because of dissatisfaction with electric rates under the old system of regulation.

One of the arguments often used to support re-regulation is the need for

new power generation. But the reason no power plants have recently been built is that it costs more to build them than to buy power in the market. Would you pay \$10 for a product worth \$8?

Re-regulation of electricity, which could give the Public Service Commission authority to order utilities to build new power plants, could force utilities into such uneconomical decisions, and stick consumers with the higher costs.

Maryland should continue to let consumers have choices, protect ratepayers from risk and promote investment in renewable energy and conservation.

Re-regulation is not the answer.

Gene Alessandrini is a senior vice president for PPL EnergyPlus, a wholesale energy supplier.

Resist the urge to 'design' the marketplace

By Elizabeth Bryan

Pittsburgh Tribune-Review

April 12, 2009

Most Pennsylvania residents will soon see significant increases in their electricity bills. And many state legislators are concerned about the political backlash they will receive as a result. But it is important that both residents and politicians understand how we arrived at this situation and how best to resolve it.

In 1996, Pennsylvania residents paid electricity prices about 15 percent above the national average. Legislators responded by restructuring the generation of electricity (about 60 percent of users' bills) to encourage more competition.

This reorganization of the generation component often is referred to as "deregulation," even though the generation industry is far from unregulated.

The transmission and distribution of electricity remain unchanged and regulated by the state.

In order to move from nine entrenched regional monopolies to a competitive electricity market, legislators implemented a transition period that included rate caps for consumers and recovery of "stranded costs" for providers -- ostensibly to pay for previous infrastructure investments.

Rate caps were instituted to protect customers from unpredictable price fluctuations during the transition period. In return for the loss of their monopoly status, utilities were allowed to collect a surcharge above the price of electricity, otherwise known as stranded costs.

Rate caps already have expired for six utilities across the state. The transition period will end for all state utilities in 2011 -- ending both the rate caps and the collection of stranded costs.

Some legislators support extending the rate caps in anticipation of dramatically higher prices and "corporate profits." This misses the point.

Competition forces companies to serve their customers with the best prices and service, which in turn gives consumers more control. Prior to deregulation, electricity generation prices were set by the state Public Utility Commission, which determined the amount a company should make in "reasonable profit."

This system offered little incentive for improvements in efficiency or alternative energy innovations. Only market competition provides an incentive for utility companies to lower electricity rates without lobbying for government subsidies. Pennsylvania must push onward toward a more competitive electricity market rather than going backward into re-regulation.

The goal of the recent restructuring was to lower prices. Yet many contend such a policy has failed. Instances of deregulation disasters often are cited, such as California's 2001 blackouts.

Yet, Pennsylvania's plan is drastically different from the Golden State's flawed process. In California, utilities were prohibited from procuring long-term contracts, forcing them to buy power through expensive real-time and day-ahead markets.

In Pennsylvania, utilities are required to diversify. They can buy power from generation companies through long-term contracts years in advance or do business in short-term spot markets.

We can learn many valuable lessons from the successes and mistakes of other states but one theme continues to surface: Successful transitions allow flexibility and innovation by resisting the urge to "design" the marketplace.

The experience of Texas demonstrates how competition can lead to lower prices and greater consumer choice.

Texas completed the transition to a fully restructured market on Jan. 1, 2007. Despite rising energy costs, the average rate of electricity offered today in Texas is only 2.9 percent higher than the inflation-adjusted rate in 2001. The average Texan can now choose from 28 providers, compared with only four in 2002.

Legislators will not be able to prevent all rate increases but they can take steps to minimize costs by facilitating a more competitive environment.

Lawmakers should avoid the impulse to extend rate caps. Competition in the commonwealth will not be encouraged by either mandating the installation of "smart meters" or requiring certain levels of alternative energy production.

In fact, the more mandates legislators place on electric utilities, the more expensive electricity will become.

Legislators can, however, alleviate the burden of rising rates on consumers by reducing or abolishing the state gross receipts tax on electricity, reducing the red tape in licensing new electrical generation and transmission infrastructure and repealing overly stringent, moderately beneficial environmental regulations.

Perhaps the most important thing the state can do is educate consumers on why electricity choice is important and offer tools for easily comparing and choosing among providers.

Creating an environment for a real electricity marketplace to emerge in Pennsylvania depends on consumers who can spur competition -- and reduce their own electricity bills -- by taking the time to shop for electricity and practice better energy conservation.

It will not come from politicians manipulating the marketplace and re-regulating the electricity generation industry.

Elizabeth Bryan is a research associate with The Commonwealth Foundation in Harrisburg.

Membership Update – COMPETE at 331

COMPETE membership continues to grow. Today we stand at 331. We would like to welcome and extend our thanks to 2degrees Network (Washington, D.C.); Argo Navis Fundamental Power Fund, LP (West Chester, PA); AT&T (Dallas, TX); Brookfield Energy Marketing Inc. (East Greenbush, NY); Carbon 5 LLC (Bedford, TX); Cemtrex (Farmingdale, NY); Energy Service Providers, Inc. (Pittsfield, MA); EnerTel Connections (Plano, TX); Excellence Dynamics LLC (Ossining, NY); For Our Eyes Only (Plains, MT); Grassfield Plumbing (Monroe, VA); GTR Engineering (Phoenix, AZ); ISGH (Houston, TX); Market Energy 411 (Somis, CA); PAETEC Energy (Williamsville, NY); Rehabit, LLP (Kentfield, CA); Renewable Energy Development LLC (Waynesville, NC); Supervalu Inc. (Boise, ID); TLR Energy (New York, NY); TruePFC Marketing (Austin, TX); and Wendy's/Arby's Group (Atlanta, GA) who have joined since our last newsletter.

COMPETE Member Profile

Headquartered in Natick, Massachusetts, BJ's Wholesale Club, Inc. is a leading operator of membership warehouse clubs in the Eastern United States. The company currently employs more than 20,000 team members and operates 180 Clubs in 15 states from Maine to Florida.

Did You Know?

According to the U.S. Energy Information Administration's (EIA) "Electric Power Monthly" report, non-hydro renewable sources of electricity saw double-digit growth during the past year while coal, natural gas, and petroleum experienced notable declines while nuclear power remained constant.

EIA reports that net electricity generation in the United States dropped by 1.0 percent during 2008 compared to 2007. Coal-fired generation was down by 1.1 percent, natural gas declined 2.2 percent, and petroleum liquids decreased by 37.1 percent. Nuclear generation during 2008 increased by only 0.3 percent compared to the prior year.

On the other hand, EIA figures show that renewable energy, including conventional hydropower, increased by 5.9 percent during 2008 – reflecting a combined increase of 0.9 percent in conventional hydropower coupled with a 17.6 percent increase in non-hydro renewables (i.e., solar, wind, geothermal, biomass).

According to EIA, net generation from wind sources was 51.0 percent higher than it had been in 2007, while solar electric generation jumped by 36.1 percent. More modest increases were witnessed by geothermal (2.5 percent) and wood and other biomass (0.6 percent).

In 2008, conventional hydroelectric power provided 6.1 percent of the U.S.'s total net electricity generation, while other renewables (biomass, geothermal, solar, and wind) generated a bit more than 3.0 percent of electric power.

However, non-hydro renewables' share of the nation's electricity supply has been increasingly steadily. As of December 2008, non-hydro renewables had expanded their contribution to 3.4 percent. By comparison, non-hydro renewables accounted for 2.5 percent of electricity generation in 2007.

America: Powered by Competition

*The **COMPETE** coalition represents 331 electricity stakeholders, employing nearly seven million American workers, including customers, suppliers, generators, transmission owners, trade associations, and economic development corporations – all of whom support well-structured competitive electricity markets for the benefit of consumers. For more information, please visit www.competecoalition.com.*