



WATT's UP? June 2010 Newsletter

Michigan Lawmakers Propose Legislation to Increase Consumer Energy Choices

Legislators in Michigan have stood up for their constituents by introducing legislation to ease limitations on the number of consumers in the state who can purchase power from competitive power suppliers. The bipartisan companion bills introduced by [Senator Wayne Kuipers](#) and [Representative Roy Schmidt](#) would raise the state's limit on retail choice from 10 percent to 25 percent of the utility's total electricity demand.

This legislation comes on the heels of [a petition by scores of Michigan businesses](#), including many COMPETE members, to lift the limitation on electricity choice.

The bills would amend a state law adopted in 2008 that significantly limited consumers' ability to choose their electricity supplier with a 10 percent limit on retail choice. Cap supporters claimed it would never be reached, that it would create jobs and new investment, and would not result in negative effects on customers.

However, these promised benefits were never realized. [The caps were reached in one year](#) and rates charged by monopoly utility companies rose almost 10 percent from October 2008 to December 2009. Michigan's electricity rates now rank highest in the region as [prices have declined](#) significantly nationwide. More than 1,000 customers are in a "tracker" queue waiting for additional customer choice, and a major proposed power plant project cited as justification for the state's re-monopolization law has been postponed.

Electricity demand is expected to grow as the economy rebounds, and opening up the state's electricity market [will help meet demand](#) by incentivizing new power suppliers and creating competitive pressure among incumbent utilities to keep rates down. In competitive markets, competition between power suppliers spurs innovation to provide new products and services at the lowest cost to attract and retain customers.

Comparatively, monopoly power providers have little incentive to innovate or lower costs because ratepayers are captive and cannot access an alternative supplier. Unnecessarily high energy costs imposed on state businesses then act like a tax, reducing economic competitiveness and the ability to retain and create jobs.

When power suppliers compete against one another, consumers win. This proposed legislation [will allow markets to work](#), create lower-cost electricity supplies, promote private investment in clean energy generation and green jobs, and stimulate innovative solutions to meet electricity needs and environmental objectives.

The economy is just starting to rebound and additional rate increase proposals are pending before the Michigan Public Service Commission. The Governor and Legislature must raise the cap on retail competition to provide electric rate relief, create and retain jobs, and establish a favorable environment for new businesses to locate in the state.

Bill Massey | June 2, 2010

Statement on the Senate's Vote to Confirm the Nominations

of Phillip Moeller and Cheryl LaFleur to the Federal Energy Regulatory Commission

On June 22, the U.S. Senate unanimously confirmed the nominations of Phillip Moeller and Cheryl LaFleur to the Federal Energy Regulatory Commission (FERC). Following is a statement by the Hon. Bill Massey, former FERC Commissioner and counsel to the COMPETE Coalition.

"The COMPETE Coalition congratulates Cheryl LaFleur and Phil Moeller on their confirmation as FERC commissioners. FERC has tremendous responsibility as the consumer watchdog for America's energy infrastructure and future, and both LaFleur and Moeller are exceptionally qualified to serve on the Commission. Their wealth of experience has given them a keen understanding of FERC's long-standing policies supporting competition in the public interest."

"During his first term, Commissioner Moeller demonstrated leadership in protecting consumers, improving energy markets, encouraging investment, and ensuring reliability. He is a champion of competition, smart grid technology, and hydropower and other renewable energy generation in electricity markets."

"Ms. LaFleur brings to the Commission a strong background, including first-hand experience in New England's restructuring effort and the resulting competitive electricity market for the region. This, combined with her experience in energy efficiency, demand response and other customer-level programs, makes her an outstanding complement to the Commission."

"COMPETE looks forward to working with Commissioners Moeller and LaFleur, as well as the entire Commission, and will continue to advocate well-structured competitive markets as the avenue to meeting our nation's energy and environmental needs as we move to a sustainable future."

Attachment: [6.22.10 FERC Commissioners Confirmation Statement.pdf](#)

Consumer Survey Shows Strong Support for Competition in New England's Electricity Markets

Consumers in New England strongly support the power of competitive markets to stimulate investment in clean energy and combat global warming, an annual survey by the [New England Energy Alliance \(NEEA\)](#) demonstrates.

Nearly [8 out of 10 New Englanders](#) surveyed voiced support for competition in electricity and consumer choice. The 83 percent preference for the power to choose among electricity suppliers was up five percentage points from the group's 2009 survey. New England's competitive market, which in most states frees consumers from monopoly electricity service providers, is structured to ensure power suppliers compete against each other to provide the best possible service at the lowest cost in order to attract and retain customers. The result? A nearly [50 percent drop](#) in the average price of wholesale electricity from 2009 to 2010.

Market forces drew strong public support as a means to create needed investment in new electricity generation resources and infrastructure. Nearly two-thirds of those polled believe the competitive electricity marketplace, free of government mandate, provides adequate financial incentives to spur new generating plants and infrastructure projects. Competitive markets [attract investors](#) who bear the risk of developing projects and insulate consumers from poor or failed decisions. This is a dramatic difference from the old system where monopoly -protected utilities routinely passed the cost of poor investment decisions along to captive ratepayers.

More than 60 percent of New England consumers – a 10 percent increase over last year's results – supported a market-based approach to addressing global warming, showing a strong preference over government-driven mandates. Clean energy sources were heavily favored, with 83 percent of New Englanders supporting wind energy.

These survey results offer a strong endorsement of COMPETE's [joint statement](#) with the Environmental Defense Fund (EDF) advocating Congress to support market-based policies to reduce emissions and stimulate clean energy. Further, [statistics](#) from the American Wind Energy Association show the unique characteristics of organized competitive electricity markets enable clean energy generation to thrive.

When well-structured competitive markets like New England's are allowed to mature, the [economic and environmental benefits](#) are clear for all to see. "We saw a substantial increase in support for market-based, rather than government, approaches to addressing energy-

related concerns,” noted Paul Afonso, NEAA Executive Director.

Policymakers considering measures to roll back competitive reforms in the electricity sector would do well to note the continuing and growing support among consumers for competition in electricity.

Joel Malina | June 7, 2010

Competitive Markets Seen as Path Toward a Clean Energy Economy

Regulators, environmental groups, technology innovators and customers are increasingly converging on the fact that market forces can [empower consumers](#) to manage increases in energy costs and stimulate the technological innovations required for America to [transition to a clean energy economy](#). The latest voice in this growing chorus comes from the Deloitte Center for Energy Solutions.

In [a white paper](#) exploring how America can move toward sustainable jobs and a long-term clean energy strategy, Deloitte underscores how competitive markets can encourage the innovation solutions required to meet national electricity needs and environmental objectives.

The paper, [Clean Energy 1.0](#), laments America falling behind in the international clean energy race, but sees salvation in the power of private investment and innovation driven by competition.

“Energy policy is not about energy. It is about technology and the new clean technology development path. The end is fostering (through markets) government policy and rules/regulations for developing clean technology for growth. It will apply along the complete value chain from R&D to final product implementation.”

Deloitte also released [a survey of state energy regulators](#) finding that while the regulators are concerned about increasing energy costs, a strong majority look to time-of-use prices to give consumers the ability to control their energy bills. This kind of dynamic pricing, [a hallmark](#) of competitive markets, allows consumers to take control by altering their energy consumption patterns in response to real-time price signals in the marketplace. The survey found an overwhelming 83 percent of state regulators believe time-of-day pricing should be considered.

Given that 85 percent of the surveyed regulators expect the cost of electricity to increase in 2011, their views supporting the kind of dynamic pricing that markets provide is a powerful endorsement for one of the key [benefits](#) of competition. “Clearly, regulators are interested in time-of-day rates as a way for the public to benefit from cheaper access to energy, especially in light of the current economic downturn,” said Branko Terzic, a former Wisconsin state regulator and Federal Energy Regulatory Commissioner.

Significant investment is needed to reach our nation’s sustainable energy goals and maintain electric reliability. Fortunately, [competition breeds innovative solutions](#) through advances in energy efficiency, storage and generation technologies. “Businesses and governments should respond to this new reality by creating the products and services that will help Americans manage their energy consumption,” says Dr. Joseph Stanislaw, Deloitte’s independent senior advisor for energy and sustainability.

Joel Malina | June 9, 2010

Energy Efficiency, Demand Response Surge in PJM Interconnection

Clean energy resources, including demand response and energy efficiency, made up nearly three-fourths of new capacity additions in [PJM Interconnection’s](#) recently completed Reliability Pricing Model (RPM) auction. This new announcement continues the [phenomenal growth](#) of clean energy and [demand response](#) technology in the nation’s largest competitive wholesale electric market.

PJM’s analysis shows the RPM has attracted 33,090 megawatts (MW) of capacity resources since the first auction in 2007. [This year’s auction](#) yielded 9,282 MW of demand response (a 32 percent increase over last year), 679 MW of energy efficiency, 590 MW of wind power and 10.6 MW of solar power. In addition, PJM officials said the RPM auction is attracting resources and investment where they are most needed – areas of high demand constrained by congested transmission resources.

The RPM auction is a [market-based approach](#) to pricing generation capacity to attract investments required to meet consumer demand and ensure reliability. It also includes incentives to stimulate investment and encourage development of new, nontraditional capacity sources like demand response and energy efficiency.

A key innovation enabled by the RPM auction is the ability of demand response and energy efficiency to compete with, and to be paid for providing capacity, the same as generation. As we've noted before, [demand response](#) is a voluntary, temporary reduction in the use of electricity, while energy efficiency represents conservation and other means to permanently reduce electricity usage by large industrial or commercial customers. Placing value on these technologies means those who invest in the technology can bid their ability to lower demand into the market as a resource, just like any generation unit.

PJM's market-based approach to create accurate price signals for capacity, demand response and energy efficiency technologies is another example of how competition in organized markets [fosters innovation and clean energy solutions](#). Not only can consumers rely on an adequate supply of electricity at competitive prices, but they also derive the important environmental benefits of a diverse and clean energy mix.

Joel Malina | June 10, 2010

COMPETE Members In the News

On June 3, a ***Restructuring Today*** [article](#) (subscription required) focused on COMPETE's efforts in support of legislation increasing Michigan's 10 percent cap on electric retail choice and newly introduced legislation that seeks to boost the cap to 25 percent. This news was also [covered](#) by ***The Energy Daily***.

In a June 18 ***Pittsburgh Post-Gazette*** [op-ed](#), David Fein, Vice President for Energy Policy and Director of Retail Energy Policy for Constellation Energy Group - a COMPETE member - touted the benefits of competition in Pennsylvania, which saw rate caps expire in the PPL service territory in January

Membership Update - COMPETE at 441

COMPETE [membership](#) continues to grow, having reached 441 this month. We would like to welcome and extend our thanks to Contour Fabricators, Inc. (Fenton, MI); Durcon, Inc. (Canton, MI); H&R Block (Kansas City, MO); Haworth, Inc. (Holland, MI); Marshall Plastic Film (Martin, MI); Polar Seal Window Corp. (Grand Rapids, MI); Polytop Corp. (Slatersville, RI); Queen Quality Laundry Company (Detroit, MI); Tendril Networks, Inc. (Boulder, CO); and VCharge (Barrington, RI) who have joined since our last newsletter.

COMPETE New Member Profile

[Tendril](#), based in Boulder, Colorado, is a leading energy management technology provider that provides energy management software, hardware and services for both consumers and utility companies. The Tendril platform, in conjunction with Tendril Home Area Network devices, provides unprecedented insight into and control over energy usage. Utilities can balance energy demand by interacting and communicating with their customers.

Tendril's founder and President, Tim Enwall, was recently elected chairman of the [Demand Response and Smart Grid Coalition](#) (DRSG), a trade association that educates and provides information to policymakers, utilities, the media, and the financial community on how Demand Response and Smart Grid technologies can help modernize our electricity system and provide customers with new information and options for managing their energy use.

We Want to Tell Your Story

COMPETE needs your help telling the competition story. Please share with us your perspective on competitive electricity markets, or provide us with an anecdote demonstrating how your company benefits from electricity competition. Email us at info@competecoalition.com, or call Executive Director Joel Malina at (202) 662-3729.

Did You Know

The growth of customer choice in the Pennsylvania's electricity market [tells a strong story](#) in favor of competition and consumer choice. Since the rate caps were lifted on January 1, 2010, 446,000 customers -- or 32% of total customers, 66% of the load -- have switched to a competitive electricity provider in the PPL service area alone. Of that number, 377,000 are residential customers -- 31% of total residential customers, 31% of the load.
