Retail Choice and Restructured Markets
Sunday, July 29, 2018
National Conference of State Legislatures
Energy Supply Task Force

Brad Viator
Executive Director of External Affairs
Edison Electric Institute
CONtributes $880 billion annually to U.S. GDP or 5 percent of total GDP

Supports 7 million+ jobs across the United States

Invests $100 billion+ per year to build a smarter, cleaner, and more resilient energy infrastructure
The electric power industry supports 7 million+ jobs.

- Directly provided: 2,662,000
  - Electric power industry employees: 491,000
  - Contractors & supply chain: 756,000
  - Investment: 1,415,000

- Induced: 4,418,000
  - Electric power industry employees: 678,000
  - Contractors & supply chain: 959,000
  - Public sector: 445,000
  - Economy-wide ripple effect: 2,336,000
Electricity Is A Great Value Compared to Other Consumer Products

Increase in cost of selected consumer goods
1991–2017 (nominal dollars)

Electric Companies are Leading on Clean Energy

Changing U.S. Energy Mix

>1/3 ZERO-EMISSIONS

Providing virtually all GEOTHERMAL, HYDROPOWER, AND WIND ENERGY

Providing 69% SOLAR ENERGY

Cutting Emissions

$100 Billion+ PER YEAR IN SMARTER ENERGY INFRASTRUCTURE

Expanding Access to EVs 20,000+ CHARGING STATIONS NATIONWIDE

Increasing Investments

Using Energy Storage 90%+ NATIONWIDE

CO₂ ↓ 27% BELOW 2005 LEVELS AS OF 2017

NOₓ ↓ 84% BETWEEN 1990–2017

SO₂ ↓ 92% BETWEEN 1990–2017
Zero-Emissions Power Generation

>1/3 of U.S. Power Generation Comes From Zero-Emissions Sources (Nuclear and Renewables)

Chart percentages are based on net generation data, 2017 (preliminary).
What is a Utility Regulators Responsibility?

• The PUCN has broad regulatory authority to implement the State’s energy policies, including developing renewable energy resources within Nevada and promoting energy conservation, while promoting safe and reliable service at just and reasonable rates. The PUCN's primary electric utility regulatory activities include:

• Establishing the rates charged by an electric utility for service.
• Evaluating the utility’s long and short-term plans for generation and transmission to fulfill its obligation to serve the retail customers located in its service territory.
What is a Utility Regulators Responsibility? - Cont.

- Issuing **permits for the construction of utility facilities** in certain circumstances.
- Evaluating the utility’s plans for compliance with the Nevada **solar generation**, **wind generation demonstration** and **water generation demonstration** programs.
- Authorizing the issuance of security transactions.
- The PUCN regulates the operations of Sierra Pacific Power Company and Nevada Power Company, both of which conduct business as NV Energy. The PUCN regulates the service territories, but not the rates or service quality of municipally-owned or cooperative electric utilities.
Status of Restructuring
Restructured Markets

• Restructured: Currently, 15 states plus the District of Columbia are restructured
  – Divest generation assets
  – Prohibited from owning any generation assets
  – Some of those states also have some form of retail competition where customers are allowed to “shop” for electricity and purchase from their desired vendor
Suspended Restructuring

• Following the wave of restructuring in the 1990s, and after the California energy crisis and the collapse of Enron
• Several states—Arizona, Arkansas, Nevada, Montana, New Mexico, Oregon, and Virginia suspended in favor of either a reinstatement of traditional regulation of electric utilities or limited options around wholesale and retail competition.
• California is considered a partially restructured system since, after the 2000-2001 energy crisis, it halted efforts to advance the restructuring of the industry (electric utilities can own generation assets under certain conditions and retail choice efforts have been limited).
Impacts of Retail Competition and Restructuring

12 of the Top 15 states with the highest residential electric prices have restructured electricity markets.

Top States by Avg. Residential Electricity Price (¢/kWh)

- Hawaii: 23.87
- Alaska: 17.93
- Connecticut: 17.24
- Massachusetts: 16.48
- Rhode Island: 16.28
- New Hampshire: 15.66
- California: 15.23
- New York: 14.47
- Vermont: 14.46
- New Jersey: 13.38
- Maine: 12.8
- Maryland: 12.21
- District of Columbia: 11.73
- Delaware: 11.09
- Michigan: 11.05

Source: EIA Electricity Pricing Annual Data, 2016
Impact on Electricity Prices

Average residential retail electricity prices in restructured states were 36% higher than prices in vertically integrated states and 32% higher than the U.S. average.

Source: EIA Electricity Pricing Annual Data, 2016
 States Impacted by Retail Choice

• **CONNECTICUT**: Residential customers of electric suppliers in Connecticut paid $58 million more than standard service in 2015, according to a study by the state’s Office of Consumer Counsel in 2016.

• **MASSACHUSETTS**: Retail choice customers in Massachusetts paid **$176 million more** for electricity over the two year-period from 2015-2017 than if they had received electricity supply from their electric company, according to a March 2018 report from the Massachusetts Attorney General. To protect customers, Attorney General Healey called for an end to competitive electricity supply in Massachusetts (see press release and Healey’s statement).
States Impacted by Retail Choice

• **NEVADA**: The adoption of retail choice in Nevada could **cost an estimated $4.1 billion** over 10 years, resulting in monthly bill increases of $24.91 for residential customers in the southern part of the state and $6.52 for Northern Nevada residential customers, according to a draft report from the Public Utilities Commission of Nevada, issued in April 2018.
The Edison Electric Institute (EEI) is the association that represents all U.S. investor-owned electric companies. Our members provide electricity for 220 million Americans, and operate in all 50 states and the District of Columbia. As a whole, the electric power industry supports more than 7 million jobs in communities across the United States.

Safe, reliable, affordable, and clean energy powers the economy and enhances the lives of all Americans.

EEI has more than 60 international electric companies as International Members, and hundreds of industry suppliers and related organizations as Associate Members.

Organized in 1933, EEI provides public policy leadership, strategic business intelligence, and essential conferences and forums.

For more information, visit our Web site at www.eei.org.