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Electricity consumers still trust the market

By PAUL G. AFONSO

Two electricity-related topics are getting much attention lately — global warming and what to do about it, and whether deregulation of the industry is working. Generally discussed separately, they are nevertheless related.

Deregulation of the electricity industry in New England has already had a significant impact on how electricity is produced in the region, resulting in a major shift to cleaner-burning natural gas. This has occurred as concerns about global warming have intensified, so much so that aggressive goals for reducing greenhouse gases that contribute to global warming have been established throughout the Northeast.

A recent survey conducted by Opinion Dynamics Corporation for the New England Energy Alliance reveals some surprising results about how New Englanders view both topics — views that seem to run counter to conventional wisdom and to positions taken by some “experts.”

The fact that three out of four people expressed concern about global warming came as no surprise. However, the willingness of consumers to match their wallet with their convictions was.

Twenty-six percent said they would be willing to pay up to \$10 a month more on their electric bills to control greenhouse gas emissions. Another 25 percent said they would be willing to pay more than \$10 a month. Based on the region’s 6 million residential consumers, those numbers suggest a consumer willingness to spend at least \$500 million annually just to reduce or off-set greenhouse gases.

Equally surprising was the strong support to continue the development of deregulated or competitive electricity markets despite common misunderstandings between it and the coincidental increase in electricity prices in recent years.

While the survey did not probe to determine whether consumers understood the reasons for higher prices, which are primarily the result of higher worldwide prices for natural gas and oil, those surveyed, by a margin of three to one, said they have more confidence in competitive markets than in government regulation. A super-majority of consumers instinctively prefer the ability to choose their electricity supplier and favor competition over monopolies. And while residential customers have been slow to switch from their traditional electricity suppliers to competitors, surprisingly more than 70 percent said they would be interested in switching if the savings were as little as \$5 a month on a bill that totals about \$100 a month.

This runs counter to conventional wisdom that suggests consumers are looking for substantially more savings before switching to competitive electricity suppliers based on regionwide residential customer switching statistics.

One of the possible reasons for the slow pace of customer switches can be found in the survey results which indicate that many residential consumers, a slight majority of 54 percent, still do not know whether their state has moved to competitive electricity markets — even though all of the region’s states, with the exception of Vermont, have. This suggests that as customers become more aware of opportunities through educational and marketing initiatives, switching to competitive suppliers will increase.

In addition to global warming and electricity industry deregulation, the survey probed consumer concerns about electricity supply adequacy over the next five years.

Nearly two-thirds are concerned we may not have enough — and the level of support for various electricity supply options vary. There is strong support for wind farms and additional supplies of natural gas in the form of LNG to fuel power plants that use it, with positive but marginal support for new nuclear and cleancoal- fired power plants.

Consumers clearly recognize the region's dual challenges of mitigating emissions of greenhouse gases and maintaining a reliable supply of electricity. And when considering new infrastructure, while consumers see renewable generation as the first choice, the vast majority believe that every technology supply option needs to remain on the table.

In meeting these challenges, sentiment is strongly supportive of competitive markets.

These findings serve as a strong cautionary note when it is argued that consumers are not willing to invest to reduce greenhouse gases or that they are prepared to jettison deregulation in favor of more government control and monopolies. Consumers simply have more confidence in competitive markets to address the energy challenges facing New England now and in the years ahead.

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