

Legislature Out Of Step On Electricity Choice

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This year, the Connecticut General Assembly considered several bills that would have effectively ended consumer choice of electricity suppliers and dampened competition in New England's wholesale electricity market.

Similar proposals are expected to be considered in the next legislative session and need to be called out now because they are decidedly out of step with consumer preferences and out of touch with efficiencies being realized through consumer choice.

The legislative proposals were prompted by high electricity costs and a perception that industry restructuring hasn't worked. States such as Connecticut that initiated restructuring a decade ago opened up wholesale and retail electricity markets to competitive suppliers under the premise that all classes of consumers would benefit from better prices and services. Thus far, the results have been positive, albeit restructuring remains a work in progress.

A recent survey conducted by Opinion Dynamics for the New England Energy Alliance found that 78 percent of New Englanders favor having choice and competition in electricity markets. Consumer preferences in Connecticut were consistent with these regional findings.

To date, about 145,000 Connecticut consumers have exercised their choice to be served by a competitive electric supplier, a number slightly greater than the population of Bridgeport. Residential consumers currently have the opportunity to save up to \$17 per month — and businesses \$50 per month — by switching electricity suppliers. Connecticut's competitive electric market has attracted more than 20 companies that are investing substantial capital in the state and employing hundreds of residents.

Given the savings and economic development afforded by consumer choice, we should not turn back to a monopoly-based system. There is simply no evidence that the old system of government regulated electricity monopolies would have produced better results over the past decade.

No one is arguing that high electricity rates are not a concern. Its two primary causes, however, are contrary to what seems to be underlying legislative action for a rollback on competition.

First, regions with substantially lower electricity costs rely almost exclusively on coal and nuclear generating plants. These facilities have become difficult, if not impossible, to site in New England. Accordingly, the competitive markets have predominantly built natural gas-fired generating plants which, while highly efficient, are dependent on a fuel with high price volatility.

In addition, our survey shows that consumers with climate change in mind overwhelmingly favor construction of renewable wind generation facilities. Unfortunately, these facilities generate electricity intermittently and will do little to bring down electricity prices.

Second, lack of infrastructure development in New England has caused higher electricity costs. Transmission congestion in Connecticut, for example, is responsible for hundreds of millions of dollars in additional costs that should decrease as several new transmission projects have been recently completed.

Looking back over the past legislative session, it's hard to see how the proposed bills would have altered the region's fuel mix. And it's even harder to comprehend how they would have changed the dynamic of public and political opposition to electricity infrastructure projects in Connecticut.

Instead, our research indicates that the full potential of competition and consumer choice in the electricity marketplace may well be on the horizon. Opportunities are emerging at the retail level that will allow consumers to choose how their electricity is generated. And "smart meter" technology will soon be deployed, enabling consumers to make more informed decisions about their electricity consumption.

The "rollback" bills that were considered by the General Assembly — and undoubtedly will be again — are out of touch with this situation. This doesn't mean that government does not have a role — it does. Connecticut consumers want government oversight of the marketplace. At the same time, they are adamant about their desire for choice and competition.

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