

All Pennsylvania consumers will benefit from a competitive electric market.



Question:

Electric competition will...

- A. Allow for customer choice and competitive prices.
- B. Incentivize operational efficiency & innovation .
- C. Encourage renewable energy options .
- D. All of the above.

Answer: D

In the next few years, a competitive market will bring customer choice, operational efficiency and alternative energy options that will benefit all consumers in Pennsylvania.

Customer Choice & Competitive Prices

It's simple economics: competition for any product will drive price efficiency and value to the consumer.

Electric consumers hoped to get the benefits of competition after the Choice Act was passed, but because of rate caps and increased fuel prices consumers haven't been able to derive the benefits competition will bring. At the time the Act was written, the price of utility service was capped at 1996 rate levels to allow for a transition to a competitive market. But over the past 10 years, the cost to generate electricity has risen at an unanticipated rate due in part to enormous escalation in fuel costs. For example, the price of natural gas has risen 167% and coal 57% between 1998 and 2006. The capped rates haven't reflected those increases.

Instead of fostering a transition to a competitive market, rate caps kept retail suppliers from coming into the market because they couldn't compete with the capped prices, most of Pennsylvania's residents and businesses have not been able to enjoy the benefits of a truly competitive market – yet. But they will if competition is allowed to work.

This is evident in Southwestern Pennsylvania. In the Duquesne utility service territory, rate caps have expired and more than 45% of consumers have switched to competitive suppliers.

Operational Efficiency & Innovation

In a competitive market, operational efficiency is key. When producers have to compete for customers, they work hard to reduce costs and improve service. Simple.

In a regulated market, there's little incentive for continued efficiency improvements in generation. Under regulation efficiency improvements were more likely to benefit utility shareholders first, not ratepayers. Nor is there any incentive for product innovations such as smart meters or time of use rates.

Renewable Energy Options

Competitive electric markets remove obstacles that have traditionally stood in the way of efforts to develop and deploy renewable generation. In 1999 Pennsylvania's first wind farm was built and connected to the PJM grid. It was built not by a utility but by a company willing to invest in a new technology, something that wouldn't have happened without the Choice Act. Today Pennsylvania has over six operating wind farms.

Electric Competition... it's working for Pennsylvania



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