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Q&A

Proposals Tilt Against Utilities, Consumers

Chris Kallaher, New England Chair, Retail Energy Supply Association

Today

Q: The Retail Energy Supply Association (RESA) opposes House Bill 5505, which is entitled "An Act Concerning Electric Rate Relief." It sounds good in name. Why is your group opposed to it?


Chris Kallaher

A: RESA is concerned that many of the provisions of the bill will make rates — and taxes — go up rather than down. The bill would create a state power authority, which would require substantial amounts of capital and involve the state in very risky power markets using taxpayer dollars to backstop possible losses. Plus there is no reason to believe a state authority can do better than the competitive market in bringing value to customers. The bill would also allow utilities to make much riskier investments in power than they make today, when much of the risk of new generation and power purchases is borne by private companies. Other provisions would limit competitive options and make the remaining options more expensive, with no offsetting benefits for customers.

Q: What does the creation of the Connecticut Electric Authority mean for small and medium-size businesses? How does it affect Connecticut's competitive stature as a business climate?

A: The CEA would mean fewer and more expensive options for buying electricity for these customers. HB 5505 would seek to give the CEA many unfair advantages by restricting customers' ability to shop for power and by shifting costs to other market participants or taxpayers, creating no net savings while exposing the state to potentially disastrous risks in the power markets. The CEA would send the strong negative message that Connecticut is unfriendly to business and prefers government intervention to market solutions.

Q: House Bill 5507, "An Act Concerning Consumer Protections In The Retail Electricity Market," in part seems to promote energy efficiency but your group opposes it. Explain your opposition.

A: While we do not oppose all portions of this bill, we strongly object to the sections that would eliminate the opportunities for consumers and businesses to learn about and choose competitive supply options. This system works very well today and is providing important information that enables customers to take proactive steps to lower their energy bills. This bill would also eliminate the program known as "purchase of receivables" that creates parity between utilities and competitive suppliers when it comes to billing and collecting for generation services. This program provides tremendous value to consumers and opens up competitive options to all customer classes.

Q: HB 5508, "An Act Establishing The Division Of Electricity Policy And Procurement," is opposed by your group because it ends retail choice. How so?

A: While the bill would not repeal retail choice outright, creating another state agency to take over the role of buying power for consumers and small businesses would likely cripple the retail market. A state agency will tend to grant itself unfair advantages over other market participants (as HB 5505 would do with the CEA) and then protect its position through anti-competitive measures like switching restrictions. This approach simply moves costs from generation rates, where they send appropriate price signals to customer, to other market participants or taxpayers, decreasing efficiency and driving up costs.

Q: What needs to be fixed, if anything, in the way the state regulates electricity?

A: The state could do several things immediately to improve its electricity situation. First, it could change its approach to procuring power for utility customers, which now uses overlapping contracts of up to three years in length. This allows the utility price to lag far behind the market price, which is not helpful. Sending accurate price signals to electric customers increases overall efficiency as consumers respond appropriately to those signals. Second, the state could do more to enable customers to decrease both their overall consumption and their peak consumption. Senate Bill 463, for example, would provide consumers and businesses with the opportunity to finance energy efficiency, conservation and demand response measures and repay the loan through their utility bill. This would be very helpful as the upfront cost of even cost-justified energy savings measures is often the highest barrier to more of those measures being taken. Finally, RESA strongly believes that the state could benefit from a higher degree of regulatory certainty than it has had in the past several years. While the market has responded well to the legislature's efforts to improve the competitive climate in 2007, continuing efforts to re-monopolize the market or otherwise punish companies that are offering Connecticut consumers value and savings will eventually drive investment elsewhere.