



For Release: *October 28, 2016*

RESA Talking Points Addressing the University of Pennsylvania's Kleinman Center Study on the Benefits of 20 Years of Energy Competition in Pennsylvania

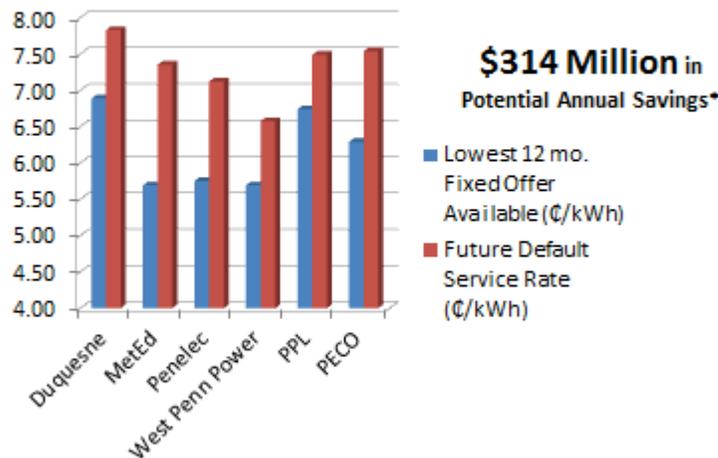
- Pennsylvania consumers have benefitted tremendously from the decision by policymakers 20 years ago to open up the state's retail electricity market to competition:
 - Today, more than 2 million Pennsylvania customers have actively selected a competitive electricity supplier.
 - There are more than 100 offers available from dozens of competitive suppliers on www.papowerswitch.com.
 - Customers can save money with offers ranging from 10 percent to 36 percent below the utility price to compare.
 - Equally important, however, is the availability of new, innovative products such as renewable energy, long-term fixed-price plans, home energy management services and more.
- The University of Pennsylvania Kleinman Center Study also finds wide-ranging benefits. According to the study, electricity competition is injecting \$818 million in economic benefits annually to the state's economy. Over a 20-year period, that amounts to a greater than \$16 billion economic boost for the state's overall economy.
- We're 20 years into competition for electricity and we're well past the initial development phase. It's time to look forward to see what needs to be done to ensure customers get the most from the competitive market model.
- We congratulate the report's authors for attempting to quantify the non-price benefits that Pennsylvania residential customers are enjoying as a result of electricity competition.
- The report cites non-price value-added product offerings such as "green" energy, as one of the innovative products unavailable to consumers taking default energy service from their utility. RESA agrees that competitive markets have better delivered green energy options to consumers. However, we would also note the wide range of additional value-added product offerings available to residential customers, such as energy efficiency tools like smart programmable thermostats, travel rewards, and various fixed-price terms that allow customers to choose the level of price stability that meets their individual needs.
- The study finds that residential customers have derived considerable economic benefit as a result of electricity competition, regardless of whether they have shopped for a competitive provider. On an inflation-adjusted basis, Pennsylvania's residential customers are paying significantly less for electricity today than they were in 1996.
- While the study found that economic benefits for residential customers have lagged when compared to those enjoyed by commercial and industrial customers, RESA would emphasize that residential customers can save money by switching providers:
 - The appropriate comparison for residential benefits is to examine available competitive offers that not all consumers take advantage of.

- Today, customers can save money in all major Pennsylvania utility areas. A quick search on the PUC's shopping website, www.papowerswitch.com reveals there are many offers available below the utility's default service offering.
- **The lowest-available 12 month fixed price offers represent more than \$314 million in potential annual savings to consumers if all remaining customers switched to these offers** (See the attached chart). **Available savings are over \$700 million when comparing available 3 month offers to the utility's default service price.**
- These findings point to the need for further policy considerations to better promote better competition at the residential level.
- The Kleinman study also found that a significant portion of the rate impact for residential customers stems from the monopoly-regulated portion of the bill involving distribution costs. Residential sector distribution service is a significant, increasing price driver, the report finds.
- One step Pennsylvania's policy makers should consider is removing regulated utilities from the business of providing default service and instead focus them on investing their resources in their core business of providing distribution and transmission services. This approach has worked well in Texas, the state widely recognized to have the most robust competitive electricity market working in the best interests of consumers and economic development.

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Retail Competition-Unrealized Savings



*1: Offer data is taken from <http://www.papowerswitch.com> on 10/19/2016.
*2: Derived from <http://www.papowerswitch.com/data/PAPowerSwitch-Stats.pdf> downloaded from September 2016.
*3: Assumes 750 kWh per month for an average residential customer.