

Executive Summary

The following research document is presented to the public by the Retail Energy Supply Association, a leading trade association of retail energy suppliers committed to the advocacy of vibrant and sustainable competitive energy markets.

The document is an aggregation of research and public opinion polling regarding the benefits of restructured, competitively aligned electricity markets across the United States.

- Awareness of consumer choice for electricity suppliers continues to build, led by the Northeast where 40% of respondents to an April 2011 EcoAlign survey said they could buy electricity from someone other than their utility. Awareness dips to below 20% in other areas, though when introduced to the concept, broad swathes of Americans believe it is a good idea. The most recent EcoAlign survey found 88% of Americans think it is a good idea to have a choice of electricity suppliers other than their local utility.
- According to the 2011 DEFG ABACCUS Report, 15 states and the District of Columbia have adopted elements of competition and, among them, six states have achieved notable rates of residential/individual consumer choice. Ranked in order of percent of residents switching, these include Texas (87%), Connecticut (40.6%), New York (19.6%), Pennsylvania (19.5%) and Maryland (18.4%).
- On the commercial and industrial side, ABACCUS reports that switching rates are even higher, topping 40% in all but two states, rising into the 90-percent range for large customers in Illinois, Maryland, Maine, Pennsylvania, Connecticut and Massachusetts (with percentages for medium-sized customers all above 50%).
- Combined with the successes above, actual consumer energy shopping is projected to grow tremendously over the next several years, especially factoring in rate cap expirations, lower energy prices and policy improvements. A July 2011 KEMA report forecasts a market growth rate of 5% annually over the next five years, with 51% growth in non-residential sales occurring in 2011 alone. This means more innovative product offerings, more jobs and lower prices for consumers.
- The growth in consumer energy shopping, and the development of robust competitive retail energy supply markets is highly correlated with **downward pressure on energy prices**, results in **product and service innovation**, leads to the **expansion of renewables use** and, finally, **provides the best outcomes for consumers of all sizes**.
- The downward pressure on energy prices arises from several sources. In order to compete in restructured markets, suppliers have made their operations more cost-efficient. Especially in states with high participation, market signals are maximized as suppliers upgrade plants, increase generation and transmission capacity and utilize innovative technologies to peg electric prices closer to the market. Consumers have a choice when to sign fixed-term energy contracts at the best rates and whether to use or conserve based on those rates.

- There is widespread evidence that retail energy markets spur innovation, and that Americans are ready to embrace such progress. A COMPETE Coalition paper prepared by KEMA found that new market entrants in competitive markets are more likely to try new ideas and technologies in order to gain a competitive advantage. These include new energy storage technologies, demand response and smart meter technologies that facilitate real-time pricing information, smart grid technologies and innovations that benefit the environment by producing less emissions and cleaner energy. In fact, one study found that in the PJM Interconnection during the summer of 1999, emissions were reduced by 30-40% because of restructuring.
- Consumers are responding favorably to these innovations as well, and a May 2011 EcoAlign survey reports that 88% find “smart grid” technology that allows consumers to review their energy consumption in detail “appealing,” including 56% either “extremely” or “very appealing.” Further, though competition puts downward pressure on prices, consumers in an April 2011 EcoAlign survey indicated they would be willing to pay extra for new and better services (55%).
- As more and more consumers move towards “Green Power” for their electricity needs, the competitive energy market is responding at a faster pace than monopoly utilities to match these consumers with their preferred portfolio of renewable energy. KEMA notes that, since moving to competition, the growth rate in renewable offers has exceeded the growth rates of all other offers, “indicating that retail providers have seized upon renewable energy as a key point of differentiation.”
- Polls of residential consumers show they are ready for more diverse and environmentally friendly choices when it comes to electricity generation. The April 2011 EcoAlign survey asked respondents what new services they would most prefer for their homes, with a total of 85% choosing renewable energy add-ons, including solar programs (50%), energy efficient lights (35%), budget billing (34%) and “green pricing” (31%).
- As level playing fields develop in restructured states, residential customers are adopting the competitive model at similar rates to their larger, industrial counterparts. The retail supply model allows consumers to customize supply and pricing contracts to their needs and desired uses, as opposed to monopoly utility supply offerings, which according to COMPETE are “one-size-fits-all tariffs customers [of all sizes] were obliged to accept.”
- The combination of the above factors, according to Continental Economics, results in the most efficient generation and new investment, leading to the lowest prices. Lower costs can ripple through the U.S. economy, creating thousands of new jobs each year.
- COMPETE concludes that, “Monopoly bureaucracies can never match the creativity and alacrity of customers and entrepreneurs interacting with one another.” The result is that companies both large and small are in the market, creating new jobs, and pumping money into a weak economy.

“Competitive markets are a successful key ingredient for Walmart to manage its energy needs and reduce costs in this ever changing environment, allowing us to pass those savings on to our customers in the form of low prices.”
- Angela Beehler, Energy Department, Walmart Stores, Inc. (DEFG, 2011 ABACCUS Report)

- With competition pushing prices down, fostering innovation, matching consumers to more renewable energy options while helping them to conserve energy and creating jobs, one is left to wonder, “What’s Next?” With more than 12 million Americans shopping for competitive energy, it is clear that **energy innovation may be the new economic growth engine.**

Our findings from our indexing of publicly available research are provided below and in subsequent pages:

Consumers Are Ready for a National Dialogue on Competition

Cost a Main Concern

American consumers are concerned with electric prices, which paves the way for regional and nationwide discussions about choice and retail energy competition.

- In an April 2011 EcoAlign survey, more than half of Americans (58%) said “electric rates increase too often” when asked for their “greatest concern about the electric industry.”
- In the same survey, when presented with different pairs of competing descriptors, Americans picked “value” (53%) over “discounts,” “solving problems the first time” (65%) over “faster service,” “lower prices” (72%) over “lights on 99.9% of the time,” and “energy management” (52%) over “budget management.”
- Concerns with cost have been increasing since 2010 as well, and the May 2011 EcoAlign survey found that 78% of Americans were extremely or very concerned with the potential for rising utility bills, up from 74% in 2010. Women, older consumers and homeowners tend to be most concerned with cost, rising to 52% among those adults 55 and over.
- Further, when given choices of several potential concerns, 43% selected “I am most concerned with saving money on my utility bill.” Attitudinally, Americans are ready for a competitive market solution that keeps downward pressure on costs and has true and lasting value.
- Low stable gas prices and recovery in the industrial segment have been credited for non-residential growth.

Consumers See Competition as a Serious Option

Strong majorities of Americans support the concept of competition in the retail purchase of electricity, though awareness of this concept needs to be bolstered for more progress to be made, and for opinions to turn into action.

- According to the April 2011 EcoAlign survey, **88% of Americans think it is a good idea for consumers to have a choice of electricity suppliers other than the local utility.** Younger Americans (18-34 years) have even stronger support (90%) than older Americans (84%). This confirms the American narrative that we prefer a free-market orientation and the purchase of electricity from competing suppliers.
- When asked to indicate the response that is more important to them – “greater variety of choices” or “more competition among suppliers” – Americans give a 53% edge to “more competition.” This includes 59% of men, 63% among older (55+) respondents, and 62% of homeowners.
- In general, awareness of consumer choice is highest in the Northeast, where 40% of respondents say they could purchase electricity from someone other than their local utility, which is higher than the other three Census Regions, including the South (16%), Midwest (14%), and West (8%).
- However, there is an awareness gap as 27% of Americans do not know they can “purchase electricity from someone other than their local electrical distribution utility.” This is especially true of younger Americans (32% among 18-54 years) and renters (31%).
- More than half of respondents (53%) do not know that “several states allow consumers to purchase home electricity from someone other than their local electric utility.” This rises among younger respondents under 55 (57%) and renters (58%).
- A July 2011 KEMA report notes rate cap expiration, modest energy prices, incremental policy improvements coupled with robust competition and effective marketing by retailers has spurred remarkable growth over the last two years. KEMA says the US retail market is on pace to grow 14% in 2011, faster than prior expectations and residential competitive sales are projected to grow by 42% in 2011 as compared to 2009. They forecast continued market development over the next five years at an annual growth rate of 5%, with 51% of total growth in non-residential sales occurring in 2011.
- PJM has become the new leader among ISOs in terms of competitive sales volume, surpassing ERCOT for the first time since 2002.

Competition Puts Downward Pressure on Energy Prices

Market restructuring and the introduction of competitive retail electric models tend to lead to lower prices for consumers.

- In order to compete, energy suppliers have had to make their operations more efficient and, by extension, cost-effective. A September 2011 COMPETE Coalition paper notes, “Competitive wholesale markets for energy and capacity provide clear market signals,” and “States that embrace electric competition are likely to benefit in the long run because competition encourages the most efficient generation and new investment, leading to the lowest possible electric prices”

(Continental Economics).

- According to the Federal Reserve Bank of Dallas, competitive markets and transitional pricing have already led to lower retail prices in Texas, Connecticut, Maine and Pennsylvania as of May 2011.
- The National Center for Policy Analysis provides Texas as an example, where “retail customers in some competitive markets paid one-third less in 2010 than in 2001,” after inflation.
- The competitive retail electricity market generally appears to lower prices in states with high participation, a panel analysis from the Federal Reserve Bank of Dallas concludes. The analysis goes on to say, “An increase in participation rates, price controls, a larger market, and high shares of hydro in electricity generation lower retail prices, while increases in natural gas and coal prices increase rates.”
- Retail competition creates a more realistic price point for consumers linked to the actual cost of energy as opposed to one inflated or deflated by political and commercial subsidies. The National Center for Policy Analysis claims “Electric power prices in competitive retail markets better reflect things such as fuel costs, overall demand and congestion in the system.”
- Though this means electricity prices in competitive markets adjust quicker to price bumps (both high and low), “in response to market demand as indicated by price, restructured states have added efficiency improvements, plant upgrades, additional generation and transmission capacity at a faster pace than non-restructured states.” (National Center for Policy Analysis).
- This innovation is the hallmark of competition, and with prices more accurately reflecting the market, consumers have a **choice** of when to sign fixed-term energy contracts, and use/conserves based on new technologies.
- In 2010, retail customers spent \$370 billion on electricity, according to the US Energy Information Administration. “Of that total, commercial and industrial customers spent more than \$200 billion. Because price matters, states that impose policies undercutting competition and needlessly increase the cost of electricity, risk losing jobs to lower-cost states and other countries.” (Continental Economics)

Competition Fosters Innovation

There is widespread agreement that retail competition in electric supply fosters innovation. More importantly Americans are ready to embrace the benefits of innovation arising from increased retail energy supply competition.

- An April 2011 EcoAlign survey found that, “Americans would pay a little extra for electricity if they received “new and better products and services” (55%), “a more diverse

fuel supply” (44%), “convenience and no hassles” (40%), “excellent customer service” (38%), and “new payment and communications channels” (24%).

- A 2011 white paper prepared for the COMPETE Coalition by KEMA claims: “Traditional risk-averse, vertically-integrated utilities will not adopt new technology until its commercial performance and availability are proven.” On the other hand, “New market entrants are more willing to try new ideas and new technologies to gain a competitive advantage.”

Energy Storage Technologies Mean Innovation and Environmental Benefits

- New energy storage technologies can reduce the need for fossil-fueled power-plants that provide ancillary service and emit CO₂, meaning innovation plus environmental benefits.
- The same February 2011 KEMA whitepaper produced for the COMPETE Coalition claims: “Recent studies have shown that storage devices can significantly reduce CO₂ emissions over incumbent technologies.”
- The paper goes on to bring up flywheels and the prospect of cutting CO₂ emissions by 38% to 89% over traditional resources like natural gas turbines, coal-fired plants or hydro facilities.

Demand Response and Smart Meters Put the Customer in Control

- Demand Response technologies, including smart meters, facilitate real-time pricing and dissemination of market information from electrical suppliers. This will allow customers to fine-tune their energy consumption by using services/tools they can buy commercially which helps them conserve energy and manage costs.
- “By the end of 2010, nearly a third of U.S. households (an estimated 28 million) will have smart meters permitting two-way communications with utilities and allowing consumers to track and manage their consumption.” (National Center for Policy Analysis)
- Confirming that “a robust competitive retail electricity market can offer lower average monthly electrical rates,” the Federal Reserve Bank of Dallas goes on to report the effectiveness of real-time pricing:
- As new technologies increase customer price awareness, rate structures such as time-of-use and real time pricing—pricing that more closely reflects fluctuations in the wholesale market—offer the potential for greater pricing transparency and even greater average monthly savings. (Federal Reserve Bank of Dallas)
- Competitive retail energy suppliers are well positioned to offer these new and innovative pricing plans and technologies. Given their track record, many see utilities as incapable of providing the same advancements. Instead utilities will take a standardized, one-size-

fits-all approach to Time of Use customers that will hamper, not expand, market options and only make it nearly impossible for competitors to compete against.

Americans Recognize the Convenience and Lower Costs of Innovation

- Americans are more likely now than ever to engage with their utilities to reduce their bills, with 87% saying they would like utilities to suggest ways to reduce their bills in a May 2011 EcoAlign survey.
- Further, the same survey reports that 88% find smart grid technology that allows them to review their energy consumption in detail “appealing,” including 56% who find it “extremely” or “very” appealing. These consumers were prompted that smart meters would result in energy retailers offering new options for billing, payment plans, and taking advantage of promotions and other incentives.
- When asked for the top benefits of smart grids immediately following deployment, respondents cited “lowering their bills” (41%), “allowing them to analyze their energy consumption” (38%) and “decreasing their electricity consumption” (34%).
- October 2011 news reports featured a new iPhone app that provides consumers with smart meters a snapshot of their electricity consumption and costs in each billing cycle and an estimate of their upcoming monthly bill, based on actual usage. In addition, the app allows users to pay bills, choose payment options, and compare the details of recent bills.

Innovation Fostered by Competition also Helps the Environment

- Recent studies have found that innovation in competitive markets helps the environment, ranging from increasing efficiency over non-fuel costs by 3-5% or increasing efficiency and reducing emissions. One study found that in the PJM interconnection during the Summer of 1999, emissions were reduced by 30-40% due to restructuring. (“Are Competitive Markets Green.” 2011 EMI Conference)
- Competitive suppliers are driving to provide retail offerings that benefit the environment as well and incentivize participation. For example, in Texas, Southwest Power and Light partners with the Arbor Day Foundation to offer an option that plants one tree for every 1,000 kWhs consumed by their electricity customers. (KEMA White Paper: Innovation in Competitive Electricity Markets).
- Market restructuring has led to several other programs for reducing waste and improving the environment. Some retail suppliers enroll in programs that buy commodity carbon offsets on climate exchanges for any emissions from their personal electricity generation. Most engage in less complex models, such as additional savings for customers who opt for a completely paperless system for billing, payment and service. (KEMA White Paper: Innovation in Competitive Electricity Markets, February 2011)

- Competitive markets have also helped states meet environmentally-friendly renewable energy-generation policy goals. According to the COMPETE Coalition, “California uses an innovative auction approach to obtain solar photovoltaic generation to meet that state’s renewable energy portfolio requirements.” As opposed to government regulation to accomplish this goal like in Europe, California’s model is “a market-based approach that rewards the most efficient and least costly solar developers” (COMPETE, Continental Economics, September 2011).
- According to Continental Economics and the Massachusetts Institute of Technology, with ample supply of low-cost shale gas, new, high-efficiency natural gas generating plants will be able to displace older, less efficient, coal-fired power plants and will reduce carbon emissions and air pollutants..

Competition Spurs the Development of Renewable Energy

In addition to cutting costs and fostering innovation, growth in renewable energy use is not just limited to the aforementioned California example, and competitive electricity markets lead to significant growth in the development and use of renewable energy sources nationwide.

- The National Center for Policy Analysis and the Energy Information Administration report that “Renewable power output grew almost 20 times faster in restructured states than states that remained regulated from 2000 through 2005.” (National Center for Policy Analysis, April 2011)
- The Federal Reserve of Dallas confirms that competitive retail electric markets offer more than just cost-savings and rate-reductions: “If increased generation from alternative fuels is a policy goal and there are consumers demanding electricity from alternate fuels, a **competitive retail market can match these customers with their suppliers.**” (“Did Residential Electricity Rates Fall After Retail Competition?” Federal Reserve Bank of Dallas, May 2011)
- Further, “an increased willingness to pay for electricity generated from renewable fuels suggests that a competitive retail market may be one step in achieving renewable energy goals.” (Federal Reserve Bank of Dallas, May 2011)
- Not only is there the possibility of renewable energy growth, there is clearly demand from the American public. The April 2011 EcoAlign survey asked, “If your local electric distribution utility or energy supplier was to offer two new services for your home, which ones would you choose?” and 85% mentioned renewable energy add-ons:
- Half of all respondents (50%) stated a strong preference for “solar programs,” followed by “energy efficient lights” (35%), “budget billing” (34%), and “green pricing” (31%).
- ABACCUS and the DEFG confirm nationwide trends towards renewables, claiming that even smaller customers are moving towards “green power.” This includes increasing

interest in “non-commodity offerings bundled with electric service, including air conditioner cycling programs, appliance maintenance contracts, mobile phone apps relating to energy, or in-home energy management devices.” (ABACCUS Project/DEFG 2010)

- Although a unique case due to its competitive model of 100% market restructuring, Texas serves as a good example of the growth of renewables in a competitive market.
- Since moving to competition, the growth rate in renewable offers has exceeded the growth rates of all other offers, “indicating that retail providers have seized upon renewable energy as a key point of differentiation.” (KEMA White Paper: Innovation in Competitive Electricity Markets, February 2011)
- More than three times the number of renewable electricity offers is available to a typical Texas consumer today compared to two years ago. (KEMA White Paper: Innovation in Competitive Electricity Markets, February 2011)
- “Retail customers can also now choose their flavor of renewable, specifying wind, solar, or lowest cost, per their preference. Further, retail energy providers are joining with solar installers to offer distributed generation as well.” (KEMA White Paper: Innovation in Competitive Electricity Markets, February 2011)
- “Prior to enacting these changes, Texas consumers had few choices regarding their electricity service providers. Following a path of exponential growth that began in 2002 and continues today, the average Texas residential customer can now choose from more than 200 retail offers from approximately 40 retail electricity providers. With the ongoing deployment of smart meters capable of two-way communication, the market is poised for further growth in retail service innovation.” (KEMA White Paper: Innovation in Competitive Electricity Markets, February 2011)

Competition Provides the Best Outcomes for Consumers of All Sizes

Although larger customers tend to adopt competitive models early and lead the way in cost savings, residential customers and small businesses generally follow and realize equally important benefits. Both residential as well as commercial and industrial customers are embracing competitive retail electrical supply at similar rates currently.

- According to the COMPETE Coalition’s November 2010 report, by the middle of 2010, more than 1.8 million commercial and industrial accounts were buying electricity from retail suppliers, while nearly 9 million residential customers were buying from suppliers other than regulated utilities. This represents yearly growth of 17% for commercial and industrial accounts and 17.2% for residential customers.
- The fact that smaller, residential customers and small businesses are now procuring retail supply on par with larger entities is due in large part to “Competitive transition period and utility default service options,” which “are now largely priced through market-

based procurement processes.” The result in many states is a level playing field for comparison shopping. (COMPETE, O’Connor)

- Competitive retail supply affords consumers the unique ability to “tailor supply and pricing contracts to their operating requirements and existing or desired usage patterns.” The effect, according to COMPETE, is that the competitive model has replaced “traditional regulated utility supply offerings that were ‘one-size-fits-all’ tariffs customers were obliged to accept.”
- COMPETE concludes that, “Monopoly bureaucracies can never match the creativity and alacrity of customers and entrepreneurs interacting with one another.”
- The result is that companies both large and small are in the market, creating new jobs, and pumping money into a weak economy. **Energy innovation may be the new economic growth engine.**
- According to Continental Economics in a September 2011 COMPETE Coalition report, “Competitive electric markets, and their ability to provide the lowest available cost over time for businesses and households, will be increasingly important to our economic future.” Combined with other policies, electric competition can be a catalyst for economic growth and job creation.
- States that embrace electric competition are likely to benefit in the long run because competition encourages the most efficient generation and new investment, leading to the lowest possible electric prices. Those lower prices, in turn, can ripple through individual states’ and the U.S. economy, creating hundreds of thousands of new jobs each year. (Continental Economics)

Retail Energy Supply Competition in the United States

Retail energy supply competition is growing across the United States. However, there are still barriers to break, including a lack of customer awareness/education, poor default pricing structures, dysfunctional business and operating rules, and market caps still in effect in some states. Addressing these factors and other policies that might impede market restructuring will help spread competition across the United States.

- “Of the 26 states that began restructuring in the late 1990’s and early 2000’s, only 14 states and the District of Columbia have completed the process. Restructuring has been most successful in Texas, where about 43 percent of residential buyers and more than 70 percent of the largest industrial customers in deregulated areas have switched to a competitive retail electric provider, sometimes switching more than once.” (National Center for Policy Analysis, April 2011)
- “In 16 states and the District of Columbia, jurisdictions that account for over 40% of all electricity consumption in the continental United States, customer electricity choice is well established and widely accepted.” (COMPETE, O’Connor)

- Jurisdictions that have elected competitive retail models continue to grow. Overall, competitive retail electricity suppliers currently service 15% of the US electricity load, which is twice that of 2003. Forty-four percent (44%) of those customers eligible have opted for competitive supply (again, twice that of 2003), and 70-90% of the commercial and industrial eligible accounts are choosing. (COMPETE, O'Connor)
- “The residential energy service market is evolving and it is too soon to know what products various segments of consumers will prefer in the future. What we do know is that needs will continue to change and a focus on innovation is consistent with a respect for consumer preferences, which go beyond just simple pricing and cost-savings. A focus on average electricity prices largely assumes that a “one-size-fits-all” approach will be all that people want in the future.” ABACCUS Project/DEFG 2010) The benefits of competition go far beyond simple pricing structures, and ensure that retail energy suppliers in restructured markets will better reflect consumer preferences than utilities going forward.
- “Competitive power markets show no signs of slowing down as the momentum continues into 2011, building upon one of the strongest years of growth in the sector in 2010. Compared to 2010, we project total competitive retail power sales to increase by 14.3% (or 84TWh) in 2011. **This remarkable growth over the past two years is driven by rate cap expiration, modest energy prices, incremental policy improvements coupled with robust competition and effective marketing by retailers.**” (KEMA, July 31, 2011)

Other Facts on Retail Competition / Opportunities

- The greater the usage of electricity, the (significantly) higher the probability of switching. If a consumer has electric heat, they are more likely to switch. Consumers who use more electricity, therefore, tend to look for better pricing and more expansive options. “Switching” a consumer to electric heat increases their chance of switching retail suppliers by 8.1%. (*Electricity Markets Initiative Spring 2011 Conference – PPL Region Only*)
- We find that if the customer is new to their address (that is, their account started January 2009 or later) they were (statistically) more likely to switch to a competitive supplier. **A new customer was 5.9% more likely to switch.** (*Electricity Markets Initiative Spring 2011 Conference – PPL Region Only*)
- **What causes people to switch to competitive suppliers** – “Higher usage, presence of electric heat, being a new customer to the area, low standard deviation of usage. The impact of poverty levels and income is decidedly mixed. Both low income and high income levels show high switch rates.” (*Electricity Markets Initiative Spring 2011 Conference – PPL Region Only*)
- According to KEMA the following residential markets will have steady incremental growth: DC, Illinois, Massachusetts, Maryland, New Jersey, New York, Ohio, and Pennsylvania. Some of the key drivers will be the likely introduction of POR in Massachusetts, D.C., New Hampshire and New Jersey.

- Favorable policy climates in larger residential markets and aggressive retailer expansion, coupled with consumer education, lead to the projection of continued growth in residential switch rates.

Appendix A: Recent State Polling on Competition and Restructuring Markets

New England

Opinion Dynamics Corporation. May 5-19, 2011. N=601 Residents, Margin of Error $\pm 4\%$.

- An interesting case study is New England, which continues to represent extremely fertile ground for restructuring, with many states already fostering competitive retail markets.
- A recent New England Energy Alliance poll conducted by Opinion Dynamics Corporation found that 40% of New Englanders consider “high prices for gasoline, heating oil, natural gas, or electricity” as their single most important energy-related issue. Concerns with renewable/alternative energy followed with 10%. Driving concerns with high prices are residents in New Hampshire (52%) and Connecticut (48%).
- Further, when prompted on electricity restructuring allowing “privately-owned generating companies” to “compete based on price” and for consumers to have a choice, 81% say they favor a competitive model, including 44% who “strongly” favor the option. Support again increases in New Hampshire (52% “strongly” favor) and Connecticut (48% “strongly”) with Massachusetts following (46%).
- More than half (56%) agree that “the competitive marketplace will provide adequate financial incentives to spur investment in new generating plants and infrastructure projects,” compared to just 30% who say government agencies should be involved in ensuring electricity supply.
- According to Opinion Dynamics, New England Republicans support competition at a much higher rate than Democrats (73% versus 37% for Democrats), **though a strong majority of the politically important group of Independents favors more competition (59%).**

Pennsylvania

Pennsylvania Poll. IBOPE Zogby International. May 24-31, 2011. N=800 energy customers, Margin of Error $\pm 3.5\%$.

- A recent poll of Pennsylvania energy customers in the PECO, PPL and Duquesne Light territories of Eastern PA and metro Pittsburgh found that 34% of customers in those areas have switched to a competitive electricity supplier. Among those who switched, the universal reasoning was lower prices/savings (88%).
- Reasoning behind **not switching** is more diffused, with 23% saying there’s “not enough savings to make it worth my while,” 17% saying they don’t understand the process and 15% expressing loyalty to their current provider.

- Among all respondents, the commitment to electricity choice and competition is clear. Eighty-six percent (86%) think it's very or somewhat important to be given a choice when deciding on energy supplier (51% "very"). Another three-quarters (78%) say they support allowing a company other than their utility company to provide service (provided all consumer protections applied), with 46% in "strong" support.
- Prompted with a series of messages and asked if they would be more or less likely to support a particular energy plan, consumers gravitated to plans that contained a competitive process, especially after being informed the utility would still respond to outages and that they have the freedom to choice from one supplier to another with no switching fee.
- Bolstering creative incentives and rebates as a driver of participation and support for competition, **63% say they would be more likely to support the plan knowing they would receive a rebate check** ranging from \$150 to \$500 from the supplier who selected them as a customer.
- Further, more than 8-in-10 respondents (85%) agree that a \$150 to \$500 rebate check would make a difference to them and their family in these down economic times. Finally, another 79% say that such a rebate check in the hands of consumers statewide would help stimulate spending in Pennsylvania.

Illinois

Resolute Consulting, Kelton Research. June 2011. N=509 Residents of Illinois Ages 18+ who use Ameren or ComEd as electricity provider for their homes.

- A recent poll of Illinois residents finds that electricity costs are a primary concern, with 40% saying electricity is their most expensive bill outside of rent or mortgages. Respondents are changing their lifestyles and habits in order to deal with rising energy costs, and evidently, are willing to change their electricity providers.
- Echoing the aforementioned **awareness problem** nationwide, only half (54%) of residents are aware that they have a choice of which electricity provider to use, with much higher awareness among men than women (59% versus 31%) and residents over 50 (60% versus 51% for younger).
- Almost three-quarters (73%) say they would be likely to switch to a new electricity provider if the company could provide a cost-saving option compared to the current provider, including 30% "extremely" likely. Men are just as likely to switch as women, while younger voters are most enthusiastic (81% among 18-34 year olds compared to 65% among 50+).
- Again demonstrating the power of incentives and renewable offers to increase participation, 77% say they would be likely to switch to a new electricity provider if the company could provide an energy-saving or renewable option, with 29% "extremely" likely.

- When given a list of factors that might influence their decision to switch and asked to *select all that apply*, fully 83% of respondents choose cost savings, followed by reliability (67%), ease of transition (55%) and company reputation (41%).
- However, in addition to a lack of awareness, there is some misunderstanding. When asked a true or false question on whether or not billing and customer service would still be handled by their local utility, a majority (59%) think this is false, led by women (61%), residents 18-34 (65%) and those not working (61%).
- These findings indicate that despite a lack of awareness, Illinois residents are very supportive of competition, especially when paired with cost savings, reliability, and the opportunity to use renewable/alternative energy supplies. **Convenience and ease of transition are important and still need to be communicated**, especially when a majority don't understand that local utilities would still be their main point of contact for maintenance, outages and billing.

Appendix B: Data Points from Key RESA States (Adapted from COMPETE Coalition, KEMA and Other Public Sources)

Pennsylvania

Pennsylvania has only been fully open to competition in all utility service territories since January 2011 when the last remaining rate caps expired. As of March 2011, Pennsylvania reached a major milestone, with 1 million customers shopping and choosing their electricity provider. Currently, Pennsylvania regulators are examining the retail market structure to determine what additional mechanism should be put into place to fully transition the market to competition. As of October, 2011 PAPowerSwitch.com site report shows more than 1.3M customers (residential, commercial and industrial) shopping for electricity in Pennsylvania's competitive market.

The Pennsylvania non-residential market is forecast to grow from 31 TWh to 69 TWh, an increase of 126% in 2011 according to a July 2011 KEMA report. With a forecast that the market will grow by more than double to 81 TWh in 2016 from 31 TWh in 2010, propelling it to the third largest market behind Texas and Illinois. In terms of market development, Pennsylvania is forecast to have the highest 2010-2016 compound annual growth rate at 18%, followed by Ohio at 6 % and California at 5%.

In Q2 2011, over a dozen new retailers opened or expanded operations in Pennsylvania and Illinois according to KEMA.

Illinois

The Illinois Commerce Commission (ICC) launched a new website called Plug In Illinois in July 2011 to help consumers shop and choose their electricity supplier. Customers in the Commonwealth Edison and Ameren territories can see how much each supplier is charging per kilowatt-hour and see how much they could save if they chose to switch to an alternate supplier. As of August 25, 2011 four alternative electric suppliers are competing for residential customers in the Ameren Illinois Service Territory. There has also been significant residential switching in the ComEd service territory since early 2011, with 83,000 customers choosing to receive their electricity from an alternative electricity supplier, according to the Illinois Commerce Commission.

Almost 5,000 new accounts were added in the first four month of 2011, which is a five-fold increase over the amount in the previous two years. According to the Illinois Office of Retail Market Development, more than 70 percent of non-residential electricity load is served by alternative suppliers.

Ohio

The June 2011, Ohio PUC summary of switch rates report shows on average, electric shopping continues to rise with nearly 82 percent of sales in the Cleveland Electric Illuminating Company associated with CRES. Electric Choice Sales Switch Rates were 68 percent for Duke Energy Ohio but only 18 percent for Columbus Southern Electric Power Company.

KEMA reports non-residential retail activity in Ohio is expected to remain strong in 2011, growing 9 TWh from 39 TWh to 48 TWh. Switching activity is predicted to be generally limited to the First Energy, Duke, and DP&L territories. Recovery in the manufacturing sector is the primary driver of growth in Ohio, as well as aggregation activity in the mass market.

California

July and August news reports indicate California's retail electricity market is poised to expand direct access for business customers. The market was partially opened in 2009 when a limited direct access auction was implemented for business and industrial customers. The auction was oversubscribed or reached capacity within mere minutes of opening during the 1st three auctions. The final phase of the market opening authorized in 2009 will occur in January 2012.

This summer Senate Bill 855 was introduced by California State Senator Christine Kehoe (D-San Diego) to expand the direct access load cap by the same amount that was allowed by the 2009 bill. Without legislative action to expand the cap, retail competition in California will be stifled and businesses will not be able to take advantage of competitive pricing, the ability to manage energy costs, innovative technology products and services, improved customer service, and expanded renewable energy resources. Demand for retail competition in California continues to grow and RESA created a CompetitonsworksCA.org site to provide customers with a voice.

KEMA projects California will have the 3rd highest compound annual growth in non-residential market development from 2010-2016 in part due to the phase-in of additional direct access volume.

Texas

According to a 2011 J.D. Powers and Associates survey, for three years in a row, overall satisfaction in the Texas retail electricity market has improved due to lower electricity bills. The study measured customer satisfaction with retail electric utility providers in four key areas: price, billing and payment, communications, and customer service. Overall satisfaction among residential customers has increased to 659 on a 1,000-point scale in 2011—up by 25 points from 2010 and 30 points from 2009.

According to KEMA, Texas will remain the largest non-residential competitive market with a projected market size of 153 TWh in 2016.

New Jersey

Over an 8 month time period (October 2010 to May 2011) the number of New Jersey customers choosing an electricity supplier more than doubled, from 164,000 to almost 350,000, according to an article in the New Jersey Star-Ledger.

As of September 2011, 9.3% of residential accounts in New Jersey have switched to competitive suppliers (10.5% of total load), while 21% of commercial and industrial accounts have switched, reflecting 62% of the total commercial and industrial load.

Migration is expected to continue to grow in the PJM markets led by Ohio, New Jersey and Illinois. Key drivers of this non-residential growth in these markets is, low, stable natural gas prices and a projected recovery in the industrial segment.

New York

In New York, as of June 2011, 21 percent of retail customers are actively shopping for their electricity. In the month of April alone, shopping grew almost 12 percent, with the addition of 148,658 shoppers engaging in the competitive market.

Maryland

In Maryland, between June 2010 and June of 2011, the number of customers served by electric suppliers has doubled, with more than 428,293 customers (including 345,453 residential customers) shopping for electricity statewide. Statewide, on average across utility service territories, this accounts for 19 percent of the overall customers.

Consumer education efforts continue in Maryland with the launch of a new PSC-provided web portal.

Connecticut

According to Restructuring Today, Retail electricity shopping also grew in Connecticut Light & Power's territory from May to June with 4,092 new customers. This is in addition to the increase in shoppers seen in the month of May as Connecticut Light & Power added 3,541 new customers.

According to KEMA, Connecticut, Maryland and Massachusetts all attracted new retailer investments in Q2 2011.

Michigan

"The Michigan legislature passed the "Customer Choice and Electric Reliability Act" of 2000 (PA 141 of 2000) which took effect June 5, 2000, and was implemented through two orders issued by the Michigan Public Service Commission in December of 2001." ("The Case for Raising the 'Cap' On Michigan's Electric Choice Program," Electric Competition for Michigan NOW!)

"Between 2000 and 2008, electric customers were able to choose their own electric supplier, and Michigan businesses saved over \$400 million in energy costs through participation in the electric choice program." Electric Competition for Michigan NOW!)

"During the period of full electric choice, 2000-2008, over 4,000 megawatts of new generating capacity was built by independent suppliers in our state and Michigan began to significantly

close the gap on energy rates with neighboring and competing states.” Electric Competition for Michigan NOW!)

However, this all changed when Michigan’s utilities successfully passed a cap on electric choice at 10%, which was reached one year later despite claims that it would be more than accommodating. According to the U.S. Energy Information Administration (EIA), on a total average basis, Michigan now has the highest electric rates in the Midwest, in part because Electric Choice is kept under a 10% cap currently.

Today, nearly 4,000 Michigan businesses – representing tens of thousands of jobs – desire to have a choice in their electric suppliers but are on waiting lists kept by Detroit Edison (DTE) and Consumers. (Electric Competition for Michigan NOW!)

In a statewide poll in the fall of 2010, 79% of Michigan residents said homeowners and businesses should be able to select their electric company, just as they choose their telecommunications and natural gas providers. (Electric Competition for Michigan NOW!)

Of the 442,126 non-residential eligible accounts, KEMA reported 7,145 or 1.7% were competitive in 2010.