

# COMPETITIVE VS. MONOPOLY STATES

States that have enabled competition and choice allow consumers to choose among retail energy suppliers competing for their business. This provides consumers with many options, such as energy management, efficiency and/or renewable energy products and services. Just as consumers can choose from a variety of telephone service providers, consumers in 14 U.S. states/jurisdictions can choose an electricity and natural gas supplier for their home or business. This is a significant difference from traditional **monopoly utility states** because, without competition, consumers have no choice but to purchase energy supply from this single monopoly provider under the terms of a tariff or rate schedule. This traditional utility service typically offers few or no options in terms of energy management tools, renewable energy products, efficiency, and/or terms and is not generally impacted by competitive forces.



## Monopoly State

## Competitive State

### **Who owns the generation assets?**

Typically, traditional utilities either own (or at least control the output of) the majority of the generation assets that supply their service territory.

In restructured states, the traditional utilities no longer own the generation assets and therefore, cannot use their monopoly status as a delivery-service provider to favor their own generation assets. Generation in restructured states is owned by private businesses.

### **Who takes on the financial risk of generation investments?**

Once approved by the regulators, customers take on the risk of utility investments in generation assets. Consequently, these investment decisions are paid for by the rate-payers.

Investors take on the financial risk of generation-related investments without a guaranteed rate of return. Consequently, poor generation investment decisions do not affect customers since these costs are no longer in the rate base.

### **Who is responsible for delivery-service reliability?**

The traditional utility is responsible for wires-related reliability/maintenance for their service territory.

The traditional utility retains responsibility for wires-related reliability/maintenance in their service territory. The delivery-services function remains a monopoly/rate regulated service under a competitive model.

### **How do customers select products?**

Customers are typically supplied products under a tariff(s) that dictate terms. Little flexibility and few options are generally available.

On the supply side, a wide variety of product choices are available from competing retail suppliers. Options include term length, renewable content level and type, efficiency, risk and energy management strategies and other features.

### **What is the role of state regulators?**

State regulators oversee the tariffs provided by the traditional utilities. The tariffs in place from the co-ops/municipalities are approved by their respective boards.

The tariffs provided by the traditional utilities/co-ops/municipalities remain regulated as they were prior to restructuring. Meanwhile, the products that retail suppliers offer are governed by a host of consumer protection rules established by the state commissions.

### **How are prices established?**

Traditional utilities allocate their costs to customer groups using a variety of rate-making principles in the form of tariffed rates. The generation assets in the rate base are a major cost component.

The traditional utilities now are "wires-only" delivery service entities. Their delivery-service tariffs are still regulated by the state regulators. Meanwhile, retail suppliers provide pricing for the supply component based on market principles and competitive business practices.