

**BEFORE THE  
PUBLIC SERVICE COMMISSION OF WISCONSIN**

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Strategic Energy Assessment for the  
Years January 1, 2012  
Through December 31, 2018

5-ES-106

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**COMMENTS OF THE RETAIL ENERGY SUPPLY ASSOCIATION**

Pursuant to the schedule established by the Commission in this case, the Retail Energy Supply Association (“RESA”) submits the following Comments regarding the Draft Strategic Energy Assessment of the Wisconsin Public Service Commission (“Commission”) and urges the Commission to consider the myriad benefits that a well-structured competitive retail electricity market will provide the state’s consumers.

**Introduction**

The Retail Energy Supply Association (“RESA”)<sup>1</sup> is a trade association of competitive retail electric service providers that support the creation and advancement of competitive energy markets throughout the country. RESA’s members represent the interests of a broad and diverse group of retail energy suppliers who share the common vision that competitive retail energy markets deliver a more efficient, customer-oriented outcome than a price-regulated utility structure. Several RESA members are active in the Wisconsin retail natural gas markets and provide service to commercial, industrial and governmental customers. RESA’s members have existing and potential business interests in Wisconsin that will be affected by the outcome of this

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<sup>1</sup> RESA’s members include: Champion Energy Services, LLC; ConEdison *Solutions*; Constellation NewEnergy, Inc.; Direct Energy Services, LLC; Energetix, Inc.; Energy Plus Holdings, LLC; Exelon Energy Company; GDF SUEZ Energy Resources NA, Inc.; Green Mountain Energy Company; Hess Corporation; Integrys Energy Services, Inc.; Just Energy; Liberty Power; MC Squared Energy Services, LLC; Mint Energy, LLC; NextEra Energy Services; Noble Americas Energy Solutions LLC; PPL EnergyPlus, LLC; Reliant Energy Northeast LLC, TransCanada Power Marketing Ltd., and TriEagle Energy, L.P.. The comments expressed in this filing represent the position of RESA as an organization but may not represent the views of any particular member of RESA.

inquiry.

As an initial matter, RESA commends the Commission for inviting comments on the Draft Strategic Energy Assessment and encourages the Commission to consider how electric restructuring and a commitment to the development of a well-functioning competitive market model could address the Commission's concerns. Competitive markets provide customers with the means of actively controlling their energy costs through access to innovative products and services not available under the traditional monopoly-protected price-regulated model. It also will provide new opportunities for electricity customers to obtain even more information about how and when they use electricity and the ultimate impact of their consumption behaviors.

RESA encourages the Commission to carefully consider and engage in further examination of whether electric industry restructuring and the introduction of competition can help the State of Wisconsin meet its future energy needs. As will be discussed in greater detail below, RESA recommends that the Commission initiate a broad investigation into the potential benefits associated with electric industry restructuring. As part of that investigation, RESA recommends that the Commission delve into a variety of issues, solicit Comments and recommendations from interested parties, with the goal of making recommendations to policymakers on whether electric industry restructuring and the introduction of competition should be considered as a means for meeting the future energy needs of Wisconsin electric consumers.

### *Retail Competition Brings Many Benefits*

Competition has been the driving force of our Nation and this state for more than 200 years. We urge the Commission to take the steps necessary to move toward a competitive electric market that will best ensure choices, new jobs and innovation for Wisconsin.

The economic viability of Wisconsin businesses should continue to be a top priority as well as ensuring the people of the state are afforded the benefits only retail electric choice can provide. As such, access to non-discriminatory competitively priced electricity is another key measure the state can undertake to ensure that not only the creation and preservation of jobs improves, but also the retention of key businesses that exist today within the state are maintained. Furthermore, giving each individual the ability to choose an electric product that best meets their needs is an overarching objective that RESA recognizes policy makers assuredly endeavor to achieve. Without question, one primary outcome of competitive electricity markets is that they lower costs overall by giving consumers the flexibility to choose, among other things, an electricity supplier to attain the lowest costs possible. In addition, introducing competition will allow consumers access to numerous retail providers that are best positioned to offer a multitude of pricing and product options designed to meet individual preferences. For example, in a competitive retail market, consumers have the freedom to choose renewable and alternative energy products as well as energy efficiency, demand response, and a myriad of other unique and customized products and services. Introducing electric competition will ultimately improve utility efficiencies, accountability and customer service.

Wisconsin ended an examination regarding electric industry restructuring in early 2000; however there has been tremendous growth and success with competitive electricity markets

across the country and as such now is the time to reconsider that determination from over a decade ago. For example:

- Since 2008, customer accounts served by competitive suppliers have grown more than 53%, from 8.7 million to 13.3 million in 2011.
- The total electricity load served competitively has grown 40% since 2008, from 488 million megawatt-hours (MWh) to 685 million MWh in 2011, an increase of nearly 200 million MWh.
- As of the close of 2011, nearly one out of every five kilowatt-hours of electricity in America was supplied by a competitive provider.
- Since 2008, the total number of customer accounts served under choice arrangements grew by 53% to more than 13.3 million.
- Residential accounts served by competitive suppliers jumped more than 3.8 million to nearly 11 million, a 54% increase.
- The number of non-residential accounts served competitively increased by more than 800,000 to nearly 2.4 million – an increase of more than 50%.

This data demonstrates that well-structured competitive markets far outperform monopoly regulation when measured by these metrics. Customers should be afforded the ability and information to make decisions and have choices regarding their electric power needs -- just as they do with telecommunications, natural gas, and airlines which were previously regulated under a protected monopoly system of price regulation.

The Commission need look no further than some of Wisconsin's neighboring industrial States in the Midwest to see how retail competition has provided demonstrable benefits to all customers. Illinois and Ohio moved to competition during the late 1990s and the early part of the 2000s. Once high-cost states, they now have some of the lowest electric rates in the region. Certainly a key objective of Wisconsin policy makers is to ensure that residential, commercial, governmental, and industrial customers benefit from new opportunities to prevent the

unfortunate outcomes that could result if Wisconsin charted a course that didn't evaluate new policies but rather maintained an old monopolistic system that inherently brings inefficiency and other negative consequences that can be avoided with retail competition.

Competitive markets can and are delivering tangible benefits to customers across the country. Competition uses the drivers of innovation, efficiency, and entrepreneurialism to produce the best results for customers. Wisconsin has certainly embraced measures to advance competition in the natural gas and telecommunications industries and now is the time to do so with electricity. Effectively competing is how virtually all industries operate, and this should be no different in the provision of electricity. In well-functioning competitive markets, competitive retail suppliers have contracts with customers of all sizes, ranging from "Aunt Sally's restaurant" to major steel plants. RESA Member companies have contracts with electric customers in other jurisdictions that can be month-to-month, three months, six months, one year, 18 months, two years, three years, and even longer. In addition, there are numerous service options available from competitive suppliers to meet customer's needs, resources, budget requirements, environmental or sustainability initiatives, and price hedging strategies. These products can be individually customized to meet the business goals, risk appetite, and needs of all types of consumers.

For example, if customers are interested in budget certainty and avoidance of market volatility, competitive retail suppliers can offer them fixed-price contracts or savings off of the bundled utility rate. For customers that are inclined to have a price that more closely follows the underlying wholesale market, competitive retail suppliers create variable or indexed products specifically designed to meet that customer request. Similarly, for customers who want to be completely tied to a market index or pay prices that vary every hour, they can select such a

product. On the other end of the product spectrum, in competitive markets suppliers offer fixed prices, products that have a set “strike price” where a fixed price is set once the market price achieves a certain pre-determined price and essentially every variation in between.

For customers who are interested in demand response and energy efficiency measures, or interested in selecting renewable energy resources or wish to support the building of new renewable energy power plants, competitive suppliers can offer green power products (wind solar, biomass, hydro, tidal, geothermal), the purchase of renewable energy credits (RECs), and other similar products. Numerous local and national surveys demonstrate that customers overwhelmingly want competition and a choice in their electric supplier and customers are empowered to choose an electricity product best designed to meet their needs:

- The 2011 ABACCUS<sup>2</sup> Report finds that where customer choice is allowed, it is thriving because well-structured electricity markets have introduced new products and services which are unavailable in monopoly utility markets.
- A recent KEMA research study<sup>3</sup> concludes that competitive markets support innovation by rewarding new ways of delivering power that improve upon existing approaches and by encouraging participants to develop services that quickly adapt to meet market needs.
- A 2005 study by *Cambridge Energy Research Associates* found that wholesale competition resulted in \$34 billion in savings for residential customers across the country over seven years, compared to what would have been paid under traditional regulation.
- According to a July 2011 Brookings Institution report, [“Sizing the Clean Economy”](#), competitive electricity markets are key to clean energy industry growth.

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<sup>2</sup> *Annual Baseline Assessment of Choice in Canada and the United States: An Assessment of Restructured Electricity Markets*, A project of the Distributed Energy Financial Group LLC, November 2011.

<sup>3</sup> *Innovation in Competitive Electricity Markets*, COMPETE Coalition, Prepared by KEMA, Inc., February 24, 2011.

### **Retail Competition Is Best Way to Ensure Affordable Reliability**

RESA anticipates that the Commission may hear from others about a number of "special issues" affecting electricity. For example, some opponents will say electric companies have "fixed costs" they must cover by means of higher rates from captive customers for a variety of things, including uneconomic generation. Just as we don't let cities or schools automatically raise taxes to cover their "fixed costs" we should ensure customers and businesses are protected and thus prohibit electric monopolies from doing the same thing. In competitive industries, companies with fixed costs that are too high either are required to either lower those costs or face being replaced by new companies and new management that is more efficient and provides better pricing and services to customers. Competition will keep costs as low as possible and produce the benefits customers and policymakers are seeking across the United States:

- Advancements in reliability, conservation, renewable energy development, and the ability of customers to purchase green power products.
- Competition is a significantly better platform to promote demand response and energy efficiency than traditional cost-of-service regulation. Demand response refers to mechanisms that provide the tools and incentives for electricity customers to reduce their consumption at critical times or in response to market prices. In cases where consumers do not pay actual market prices, they have little or no incentive to reduce consumption (or defer consumption to later periods) during times when production costs are significantly higher. Since costs may be substantially higher at these times, the potential for savings should not be overlooked.
- Reliability is enhanced by competition. Since energy restructuring created open, competitive wholesale markets in many parts of the country, reliability was enhanced through the MISO & PJM and operation of large wholesale markets. In addition, tens of billions of dollars in new transmission projects have been approved in those restructured regions. Further, the transmission and distribution systems remain a monopoly-regulated system under the regulation of the PSC. Reliability has improved markedly since open access regional wholesale markets have begun to operate, and fact documented in study after study and testified to by market participants.

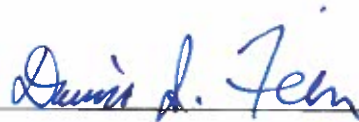
**Conclusion**

RESA appreciates the opportunity to provide Comments in this investigation and encourages the Commission to carefully engage in a detailed examination of whether electric industry restructuring and the introduction of competition can help the State of Wisconsin meet its future energy needs. Competition in electricity markets fosters innovation, clean energy solutions, jobs, and competitive rates and enables customers to shop for innovative energy management solutions and helps lower costs and preserve jobs. RESA looks forward to the Commission's further deliberations and pledges to actively participate in any further examination, debate, or dialogue regarding potential electric industry restructuring and introduction of customer choice and competition.

Respectfully submitted,

The Retail Energy Supply Association

By:

A handwritten signature in blue ink that reads "David I. Fein". The signature is written over a horizontal line.

David I. Fein, President

Dated: September 14, 2012