Competition Works

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COMPETITION WORKS

Statement of Preferred Public Policy

Vistra Energy believes in the power of competition to spark innovation and unleash customer benefits and value. As such, we believe that markets should be allowed to function freely with minimal oversight and regulated only to the extent needed to ensure a fair and equitable treatment of market participants and customers.

It's About Choice

Bottom line, competition is about giving customers choice. It means recognizing that consumers make choices on more than one variable. It recognizes that every consumer is different and that one-size-fits-all approaches to markets do not afford the best combination of value, innovation or satisfaction.

Retail electric competition allows price conscious consumers to select the lowest cost offer in the market. For customers who value 100% green energy, competition enables them to purchase plans that match their preferences. For consumers who are more internet savvy, they can have the choice to select offers with discounts for internet only customer service. Likewise, consumers who prefer to have a person to talk to 24-7-365, can find plans that cater to those needs. For some customers, the peace of mind of locking in a fixed rate contract, allowing them to avoid future price volatility, is worth potential price premiums if prices go lower and allows them to better budget their energy costs.

In the end, it's not about just price, it's about letting consumers decide for themselves what the best balance is between affordability, service, environmental consciousness and other factors to best fit their needs.

Retail Electric Markets

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The goal for policymakers should be to ensure reasonably priced and reliable electricity for consumers. Competition keeps costs as low as possible, drives innovation, and produces the benefits customers are seeking -- because the customer calls the shots. This is true whether you're talking about telecom services, the advent of discount department stores, or the changes in the automobile industry in the last quarter century. It is also true for electricity.

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It's easy to forget what the world was like before competitive forces took hold. Consumers demanded the right to choose their own energy supplier, recognizing that competition imposes maximum downward pressure on prices, and that they were paying more for electricity commodity services than would be the case in a competitive market. There was less incentive for utilities to save money than there is under competition, and no opportunity for captive customers to choose a lower cost provider. Many of these captive customers were the businesses -- small and large -- that create jobs and grow the economy.

When electricity suppliers are allowed to compete with each other to sell their product, the customer wins. If you could only buy your car — a critical investment for many — from one company, the result would certainly be higher prices, poor choices and unhappy customers..

Competitive Generation and Wholesale Markets

Vistra Energy believes that wholesale market competition drives efficiencies and places risk on the appropriate party — the investor, not the rate payer. As such, we believe that wholesale markets, like their retail counterparts, should be allowed to function freely with minimal oversight using sound economic principles. Insofar as wholesale markets require regulation, they should be regulated only to the extent needed to ensure a fair and equitable treatment of market participants and customers.

One of the most important benefits of competitive markets is that they shift risk away from customers and toward the shareholders of competitive companies and those that lend them money. Regulation fails to create all of the incentives that would otherwise exist in a competitive market to improve efficiency, which leads to unnecessarily high generation demand for input fuel, adverse environmental impacts, and higher costs to consumers.

Competitive suppliers focus on managing all the risks associated with producing power. Some competitive companies made bad investment decisions, in a few cases filing for bankruptcy to reorganize their affairs. What is important to understand is that, even when competitive companies reorganize, the power plants they developed continue to operate and supply power to customers.

Those competitive suppliers that have been reorganized emerged from bankruptcy as stronger competitors, and the costs and losses incurred were borne by investors — bondholders, lenders and stockholders. By contrast, when financial difficul-

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ties hit rate-regulated utilities, captive ratepayers or taxpayers are hit with the cost. While this may make sense under the traditional "regulatory compact" for natural monopoly services, there is no need for consumers to bear this level of risk for the costs associated with all existing electricity generation or retail sales of electricity commodity services in a competitive market. Over the last thirty years, consumers have paid hundreds of billions for utility mistakes. Competition — even with the risk of bankruptcy that confronts all businesses in a marketplace — is a better deal.

Economics Support Competition

In an open letter to policymakers, eight leading economists, including Vernon Smith (George Mason University and Nobel Laureate), Alfred E. Kahn (Cornell University), Paul L. Joskow (Massachusetts Institute of Technology), William W. Hogan (Harvard University), Peter Cramton (University of Maryland), Howard J. Axelrod (Energy Strategies, Inc.), David W. DeRamus (Bates White, LLC), and Gary Hunt (Global Energy Advisors), stated that:

Among economists, it is almost universally accepted that well-functioning competitive electricity markets yield the greatest benefits to consumers in terms of price, investment and innovation especially when regulated alternatives are no longer warranted.[1]

While not all "competitive" electric markets are created equal, well-functioning competitive electricity markets have shown their value in bringing benefits to customers and spurring innovation. These markets, along with appropriate safe guards for low-income and at-risk customer groups, have enabled consumers to take control of their electricity consumption in ways that best fit their lifestyles and beliefs in ways that regulated one-size-fits-all constructs can never deliver.

The key is to ensure that the markets are well-functioning so that competitive suppliers can bring innovative products to consumers to they can choose on more than just price — they will have the opportunity to choose an overall package of value that takes electricity beyond just the commodity and into a realm where the customer can choose the electricity, its generation and associated services that best fits their needs.

Joskow, Paul L.; Kahn, Alfred E.; et al., "An Open Letter to Policymakers", June 26, 2006 (last accessed 8/23/18).