

There's a multitude of ways to impede electric competition from realizing its full potential of innovation and value creation for customers...

Impediments ranging from legislative and regulatory uncertainty to continued participation of rate-regulated entities in the competitive market all contribute to holding the market back from realizing its full potential. In fully mature competitive markets where these inhibitors have been overcome you find strong, innovative markets delivering real value to consumers at a competitive range of prices all with strong consumer protections.

Provide Legislative & Regulatory Certainty

Deciding to implement a competitive electricity market is only the first step. Once the decision is made to transition to competitive electric service, it is important that the legislative and regulatory bodies support that market structure so that those participating in the market can have the certainty needed to invest and compete in the market. Laws and regulations that harken back to the monopoly model (e.g., procurement standards through the utility, non-market solutions, subsidies, &c.) raise doubts as to the commitment to the market model and inhibit investment and growth.

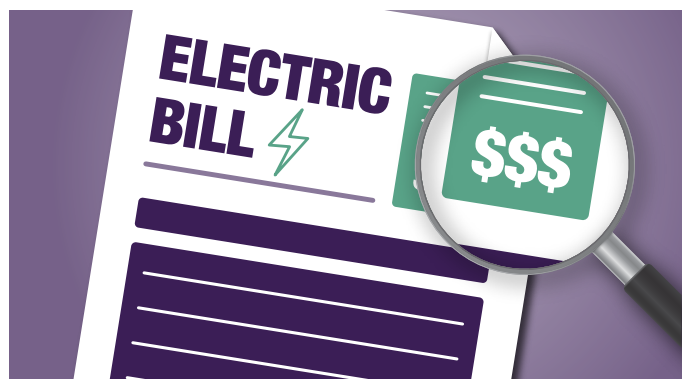
Fully Unbundle Utilities

One method to demonstrate commitment to the competitive market model is completely unbundling competitive aspects of rate-regulated utilities. While traditional, rate-regulated utilities have a role to play in the transmission and distribution of electricity, they must be transitioned out of the competitive parts of the market to truly unleash the value of competition. Both the generation and retail aspects of traditional utilities should be either sold or spun off into separate, arms-length entities.

Allow Retailers to Own the Customer Relationship

When you buy a product from Apple, Amazon, Target or any other retail brand or store and have it delivered, they don't bill you through the delivery company, be it USPS, FedEx, UPS or other. Why is it then that competitive electric retailers are required to bill through the electric delivery company. The customer's relationship is with the retailer and brand that they buy the product through, not the delivery company. Allowing utilities to "own" the customer relationship, even when they aren't the retail supplier to the customer, inhibits competitive retail brands from building a relationship with their own customers and also inhibits their ability to market innovative products that require significant investment in back office infrastructure.

To fully realize the true value of competition, the competitive retailer must bear all the risks and rewards of competition. Because of these risks, retailers must be given the ability to build a strong direct relationship with their customers. Key to this is allowing retailers to bill customers directly (aka Supplier Consolidated Billing), which allows the retailer to control the most important touchpoint with the customer and the ability to invest in back office infrastructure to provide innovative products and services that wouldn't otherwise be possible when billing through the regulated utility.



Sunset Transition Mechanisms

When most jurisdictions transitioned to competitive markets, they implemented statutes and regulations that were meant to help ease the transition from monopoly to competition and offer a safety net should the competitive construct fail to offer the promised benefits. However, in many jurisdictions, these transition mechanisms, like default service rate, never transitioned away and remain a weight on the ability of the competitive market to move forward. These transitory mechanisms must be allowed to expire if competition is to move forward and there is enough of a record now amongst all the jurisdictions that have implemented competition to ensure designs that achieve the competitive goals of value, price, innovation and consumer protection.



Strong Technical & Financial Requirements for Retailers

Bad actors are often cited as evidence that competitive retail electric markets don't work. It is true that in any market construct, there are bad actors. However, this shouldn't be a signal that markets don't work but rather a signal that additional reforms are needed to ensure bad actors do not have access to the market in the first place or are effectively identified and punished / removed from the market. A key method to reduce bad actors is to ensure that competitive retail entities wishing to participate in the market are sufficiently capitalized, have the needed technical capability, and sufficient market knowledge before being allowed to participate. Retailers should be required to renew and demonstrate their continued ability to meet these requirements on a regular basis.

Ensure Strong Customer Protections



While strong registration requirements will significantly reduce the number of bad actors in a market and also reduce the occurrence of market violations by other market participants, they must also be accompanied by a strong customer protection and enforcement regime. A competitive market provides consumers choice, but also dangers. It is critical to establish appropriate customer protections, with effective enforcement to punish bad actors and to protect those customers most at risk. These protections should include price and contract transparency, appropriate notifications around contract expiration, truth in advertising, and data protections, to name a few. The appropriate state agency overseeing the industry and market should also be sufficiently staffed with knowledgeable personnel and be given appropriate enforcement authority to ensure compliance.

Educate Consumers About Electric Competition

Educate, educate, educate! While competition is part of the everyday experience in many areas, shopping for electricity is not a common practice for most consumers. Consumer education on how to shop, how to read an electric bill, what to look for in a plan, and how to measure the performance of competitive retail electricity suppliers are all critical to transitioning to a fully competitive market and moving electric competition forward.

