



# **Philadelphia Business Journal**

## **2010 Energy Summit**

**Chairman James H. Cawley**

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**[www.puc.state.pa.us](http://www.puc.state.pa.us)**



# PA Electricity Generation Choice and Competition Act of 1996

## The Legislature's Intent:

- Traditional electric utilities would deliver (distribute) the electricity, maintain the distribution system, and provide “default” electricity supply for those who did not switch to an alternative supplier, all under PUC regulation.
- Alternative suppliers would sell the electricity.

PECO = Electric Distribution Company (the WIRES company)

Alternative suppliers = Electric Generation Suppliers (the SELLER of electricity)



# PA Electricity Generation Choice and Competition Act of 1996

## Legislative Goals:

- Lower prices relative to regulated rates
- Competitive market with real choices of suppliers
- New Products and Services



# PA Electricity Generation Choice and Competition Act of 1996

## Implementation – Rate cap period:

- EDCs given stranded cost recovery
- In exchange, EDCs required to provide capped rates [PECO through 2010 and immediate rate reductions]
- Customers avoided wholesale price run-ups of 2008.

# Transition to Market-Based Rates

- EDC
  - PECO
  - Transports and distributes electricity to your business
  - Provides Default Service under PUC-regulated rates
  - PECO prices higher because it bought power over a 18 to 22 month period when market prices were higher, and because the price includes a risk premium to account for future load level uncertainty
- EGS
  - A competitive supplier who may generate electricity or obtain power from the wholesale market
  - May aggregate customers to purchase in “pools”
  - Typically cheaper power because no risk premium

## Transition to Market-Based Rates

- EGSs = Suppliers, Marketers, Brokers, Aggregators  
= may be unknown entity in PA but have national or international presence
- Using an EGS = No change in service, quality, or reliability  
= Usually one bill rendered with EDC  
EGS charges listed
- EGS may offer a service better tailored to your business needs

## Default Service Plans

- Default Service Plans approved by PUC
  - Directs EDCs how to acquire power for those customers who do not choose a competitive supplier
  - Sets process for obtaining supply, not price
- Plan approvals also strive to remove some barriers to competition



# PA Electricity Generation Choice and Competition Act of 1996

## How has Pennsylvania done?

- Prior to the Act, Pennsylvania's rates were 15% higher than the national average.
- Pennsylvania's rates (in cents per kilowatt hour) are now slightly above the national average but significantly below those of other Mid-Atlantic states:

	<b>Residential</b>	<b>Commercial</b>	<b>Industrial</b>
U.S.	11.32	10.03	6.65
Pa.	12.58	10.11	7.59
Mid-Atl.	15.42	13.61	8.34

Source: U.S. Energy Information Administration (as of Sept. 15, 2010)

[www.eia.doe.gov/cneaf/electricity/epm/table5\\_6\\_b.html](http://www.eia.doe.gov/cneaf/electricity/epm/table5_6_b.html)



## Expiration of Rate Caps: The Numbers Tell the Story

- Generation rate caps have expired for 40% of Pennsylvania's electric customers
- Remaining 60% set to expire at the end of this year (PECO, Penelec, Met-Ed and Allegheny Power)
- Statewide, more than 670,000 customers have switched to a competitive supplier
- The bulk of the switching has occurred in the PPL territory with 477,414 people switching, representing:
  - 34 % of customers
  - 71.9 % of load



# The Greatest Benefit of Electric Choice

- Power plant construction cost overruns, refueling delays, environmental upgrade costs, and operation inefficiencies are off the backs of captive utility customers.
- If a plant doesn't operate efficiently, its owners cannot bid successfully into the wholesale electricity market, and they don't get paid.



# PA Electricity Generation Choice and Competition Act of 1996

## Implementation – Post Rate Cap Period:

- PECO provides Default Supply Service – if you do nothing, you will continue to receive supply service at (higher) default service rates
- PECO encourages you to shop – PECO doesn't make money on default service supply. Competitively bid wholesale supply costs are passed through without markup under federal law.
- PECO continues to provide reliable distribution service by delivering electricity to your door, regardless of your electricity supplier – it all comes from the same PJM electricity grid.
- PECO must educate its customers about their electric choice options.



# PA Electricity Generation Choice and Competition Act of 1996

- **Common Misconceptions:**
  - Misguided brand loyalty to Electric Distribution Company (EDC)
  - Fear of delayed restoration of service if an Electric Generation Supplier (EGS) is chosen over default service provider (the EDC)



# Expiration of Rate Caps: The Numbers Tell the Story

- PECO conducted final auction on September 20, 2010
- Results released October 14, 2010

PECO Competitive Auction Results (final) and Existing Utility Rates	
Residential	-3.0%
Small Commercial	-15.8%
Medium Commercial	-9.6 %
Industrial	7.4 %



# PECO Prices To Compare (PTC) in Cents/kWh

## *Small Commercial Up to 100kW*

### Small Commercial Up to 100kW

Rate Class	PECO Price to Compare	Competitive Supplier Price*	Savings **	Potential Range of Savings**
		<u>Average Rate</u>	<u>Average Rate</u>	
General Service (GS)	9.47	8.29	12%	7% - 16%
Primary - Distribution Power (PD)	9.13	7.95	13%	8% - 17%
High Tension Power (HT)	8.78	7.41	16%	11% - 20%

\* Based on current market prices

\*\* Savings will vary based on a customer's actual load factor versus the rate class average load factor



# PECO Prices To Compare (PTC) in Cents/kWh

*Medium Commercial and Industrial 101kW - 500kW*

## Medium Commercial and Industrial 101kW - 500kW

Rate Class	PECO Price to Compare	Competitive Supplier Price*	Savings **	Potential Range of Savings**
		<u>Average Rate</u>	<u>Average Rate</u>	
General Service (GS)	9.38	8.29	12%	7% - 16%
Primary - Distribution Power (PD)	9.04	7.95	12%	7% - 16%
High Tension Power (HT)	8.69	7.41	15%	10% - 19%

\* Based on current market prices

\*\* Savings will vary based on a customer's actual load factor versus the rate class average load factor



# PECO Prices To Compare (PTC) in Cents/kWh

*Large Commercial and Industrial above 500kW*

## Large Commercial and Industrial above 500kW

Rate Class	PECO Fixed Price to Compare	Competitive Supplier Price*	Savings **	Potential Range of Savings**
		<u>Average Rate</u>	<u>Average Rate</u>	
General Service (GS)	9.59	8.29	14%	9% - 18%
Primary - Distribution Power (PD)	9.24	7.95	14%	9% - 18%
High Tension Power (HT)	8.89	7.41	17%	12% - 21%

\* Based on current market prices

\*\* Savings will vary based on a customer's actual load factor versus the rate class average load factor

## PECO's "Price to Compare"

- PTC = Generation, Transmission, Gross Receipts Tax, and Alternative Energy Portfolio Standards Act (renewable energy) costs
- PTC is an all-in price (for apples-to-apples comparison of EDC default price and EGS price)



# PAPowerSwitch.com

PA Power Switch - Pennsylvania Public Utility Commission - Windows Internet Explorer

http://www.papowerswitch.com/

PA Power Switch - Penns... x http://www.puc.state.pa.us...

PA PowerSwitch  
Pennsylvania Public Utility Commission

Site Map Glossary Tell A Neighbor En Español

Home About Switching Power Shop For Electricity Help Paying Your Bill Ways to Save Energy Frequently Asked Questions

**673,247**  
Pennsylvanians have already switched electric suppliers

About Switching Power >  
How to Choose >  
Find Suppliers >  
What to Ask >

Rate caps on electric generation are expiring and could mean an increase in your electric bill. But you may be able to save money by switching electric suppliers.

Shop for Electric Suppliers  
Tell a Neighbor  
Help Paying Your Bill  
Ways to Save Energy

You shop for products almost Help someone you know save There are a wide range of Find quick and easy tips that will

Internet 100%

## Conclusion

- Deregulated electric markets have existed for more than 10 years
- Activity continues to intensify
- Customers must:
  - Have price and product choices
  - Be educated to make informed choices
  - Be satisfied with the process

It is in your financial interest to

**SHOP!**

