Electricity Choice Works
by Philip R. O’Connor & Erin O’Connell-Diaz

A report issued this week highlights that retail electricity choice is a success for consumers, businesses and electricity stakeholders across the country. This is based on nearly two decades of evidence in the 13 states and the District of Columbia that have access to retail choice.

Not only is customer choice thriving in these states, as demonstrated by the 19 million residential, business and government customers who are served by competitive providers, competition is helping drive prices to the lowest available level and drive billions of dollars of investment in new, more efficient generation.

The report, “Evolution of the Revolution: the Sustained Success of Retail Electricity Competition”, which we co-authored, highlights information from the U.S. Energy Information Administration (EIA) data, which reveals that between 1997 and 2014, the percentage increase in the average weighted electricity price in the 14 competitive jurisdictions was 40.9% compared to 59.9% in the 35 monopoly jurisdictions in the contiguous United States. In ranking the 48 contiguous states and D.C. by percentage price increase since 1997, competitive states occupy five of the six lowest spots. When adjusted for inflation, across all sectors, prices in the competitive markets fell 4.5%, but rose 8.4% in the monopoly markets: a significant gap in a low inflation environment. Notably as well, these favorable price trends benefitted all customer classes in competitive markets.

As with price trends, data show that choice jurisdictions have attracted billions of dollars in new generation which has outperformed that in monopoly markets. Between 1997 and 2013, EIA data show the competitive jurisdictions and the monopoly states each added generating capacity at nearly twice the pace of their respective percentage increases in consumption, at ratios of 1.88 and 1.99 respectively.

Significantly, however, in 1997, when the competitive era commenced, generation in the 14 choice jurisdictions had an average capacity factor, which measures production efficiency, well below that in the monopoly states. Yet in 2013, after almost two decades of choice, generation in the competitive jurisdictions outperformed that in the monopoly states, with an average capacity factor of 45.8%, compared to 42.9%.

In addition, the five states of the Industrial Upper Midwest offer a compelling intraregional example of the success of customer choice with the competitive states Illinois and Ohio outperforming Indiana and Wisconsin, both fully monopolistic, and Michigan with a mere 10% of electricity demand permitted choice.

Under choice, for example, Illinois moved from the region’s worst performer in 1997, to its best:
 • the highest average price in 1997, but the lowest in 2014;
 • the lowest capacity factor in 1997, but the highest in 2013;
 • the largest addition to summer capacity of 10,472 MW by 2013;
 • the largest increases in MWH and percentage generation output;
 • the best ratio of percentage of added capacity to percentage increase in MWH consumption;
 • the largest net imports in 1997, but the largest net exports in 2013; and
 • lowest percentage price increase in the nation at 15.2% while monopoly neighbor Wisconsin had the highest at 105.5%.

As our report findings show, customer choice is a sustained success, outperforming monopoly regulation on the key measures of price trends and generation performance.

Philip R. O’Connor and Erin O’Connell-Diaz, both formerly members of the Illinois Commerce Commission, are authors of a COMPETE Coalition report, *Evolution of the Revolution: The Sustained Success of Retail Electricity Competition* available at XXXXXXXXXXX