

State commissioners report to NEM event on shopping

While most states made up their minds about “restructuring” in the ‘90s, their paths since have been quite different, state regulators told the National Energy Marketers Assn’s (NEM) National Energy Restructuring Conference yesterday. Texas, states on the East Coast and some in the Midwest moved forward with restructuring while southern states never really took to the idea, North Carolina Utilities Commission Chairman Edward Finley said in remarks at the event.

Finley’s state was considering restructuring when the California Energy Crisis happened and then the legislature backed off and never brought it up again. That happened in other states, too, Finley said.

Georgia is held up as the gold model for natural gas competition, with Atlanta Gas Light having completely exited the merchant function, noted Georgia PSC Commissioner Tim Echols. But the regulated system for power has worked so it does not need to be fixed, he added.

Pennsylvania had huge shopping numbers in recent years, with over 2 million, or about half its residential consumers in the market, noted the commonwealth’s PUC Commissioner Gladys Brown.

Many states saw similar shopping levels to New Jersey, where about 15% of the residential market shopped, but some 2/3 of the C&I market has, New Jersey Board of Public Utilities Commissioner Dianne Solomon said. The state has run long-term auctions where prices were averaged over three years and that helped keep utility rates low, she added.

Rhode Island was the first ever state to deregulate in 1995, yet has just 6% of customers shopping, said its PUC Commissioner Paul Roberti. “Texas seems to have gotten there,” he added.

“In the Northeast, we’ve been plagued a number of different realities – most recently the constraints on pipelines, which caused tremendous volatility in the wholesale market.”

Rhode Island tried to level out its utility prices and that kept the markets small compared to other states where utility offers more closely match what is happening at wholesale, he added. Still, all that work has not been enough to insulate utility

consumers from the pipeline issues as they saw prices jump from 10¢/KWH to 17¢/KWH late last year, Robert said.

Michigan and Ohio might be neighbors, but as in football, their views on restructuring have been quite different. Ohio embraced gas shopping and moved its electric utilities to the market recently, while Michigan has a 10% cap on power shopping.

Even that 10% cap could prove too much, with the House considering a utility-backed bill to end competition altogether, Michigan PSC Chairman John Quackenbush said at the event. But that is not the only legislation as State Sen Mike Shirkey introduced a bill to raise the cap gradually.

Gov Rick Snyder backs keeping the 10% cap in place but with more requirements for showing future capacity – and legislators have introduced bills along those lines.

The legislature is working on broader energy legislation and the competition question will be taken up with that likely later this month, Quackenbush said.

Ohio weathered challenges

It has not been smooth sailing all the way in Ohio as it had to deal with the polar vortex as did other states in PJM, noted Steven Lesser, who just stepped down from the Ohio PUC last month.

Most Ohioans who shop have picked fixed-rate deals and that was the case during the polar vortex when retailers got hit with a big, unhedgeable bill due to uplift from PJM. Retailers considered passing that along with surcharges, but ended up eating the costs as they would have lost consumers – and acquiring new ones would be more expensive, Lesser said.

“I will tell you from an ‘inside baseball’ point of view, this was a key tipping point,” he added. “This could have tipped a legislative action towards, perhaps not reregulation, but I call it the ‘Michigan view.’”

But instead, the lack of complaints, the retailers’ long-term view, I think was a very, very strong tipping point towards markets being the answer in Ohio.”