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## **Competitive Electricity Markets Spur Consumer-Focused Innovations**

### **Annual Baseline Assessment of Choice in Canada and the United States (ABACCUS) Report Highlights Market Growth and Increasing Consumer Benefits from Restructured Retail Electricity Markets**

HOUSTON – November 30, 2011 – States that have opened their electricity markets to retail competition have seen a surge in consumer-driven product and service innovation compared with states where electricity remains a commodity delivered by monopoly providers, according to the Annual Baseline Assessment of Choice in Canada and the United States (ABACCUS) released today by Distributed Energy Financial Group LLC (DEFG).

According to the 2011 ABACCUS report, commercial and industrial customer choice is thriving and growing in many U.S. states and Canadian provinces because well-structured retail electric markets foster the introduction of new products and services that are not available in traditional monopoly areas. The report’s scorecard helps policymakers across the U.S. understand how their decisions have helped or hindered the development of competitive retail electricity markets.

“Competition has prompted retail electric suppliers to deliver a growing portfolio of innovative energy management solutions to consumers, and consumers are responding. The overall result is greater control of costs coupled with reduced pressure on regional electricity grids,” said Nat Treadway, DEFG managing partner and lead author of the report. “The results of our 2011 research clearly show that well-structured, competitive retail electricity markets are delivering new and better services at lower cost than ever before. We are seeing new companies, new investments in local economies, and the development of a new energy services marketplace.”

The ABACCUS report identifies Texas as the competitive retail market leader for the fifth consecutive year. New York also is cited for policies that have created an excellent competitive market. Illinois and Pennsylvania are highlighted as having made the most substantial progress with their competitive markets since the last year’s ABACCUS report. In addition, Connecticut, Maryland, and the Canadian province of Alberta are acknowledged for their policies that foster choice for residential electricity customers. These markets have vibrant markets with numerous retail energy suppliers and numerous service choices for customers of all sizes.

Residential consumers are benefitting from customer choice in several areas and are poised to reap additional benefits as new technology is implemented. New smart grid infrastructure investments – advanced meters, communications and control devices, and in-home usage displays – allow entrepreneurial retail energy suppliers to develop innovative pricing and service choices. Consumers now have more choices, more information and better ways to control their energy bills and increase the

value of electric service in their lives. In Texas, there are twice as many choices for residential consumers as there were two years ago, and in New York, the number of different offers is up more than 40% in one year.

“Electric customer choice has benefitted Pennsylvanians in countless ways,” said Robert Powelson, chairman of the Pennsylvania Public Utility Commission. “A well-structured competitive electric market not only results in reasonable rates, but also creates jobs, promotes technological innovation and infrastructure improvements, and encourages clean energy solutions, such as the integration of renewable resources into our electricity grid.”

“Innovation is helping drive down prices throughout the competitive Texas electric market,” said Chairman Donna Nelson of the Public Utility Commission of Texas. “Giving our residential customers more information helps them to find the very best value for their electricity service. The Texas online shopping guide, [www.powertochoose.org](http://www.powertochoose.org), contains more information with every passing month. Nearly all of the state’s residential retail electric providers post offers on the Website because they recognize the benefits of fully-engaged customers.”

The ABACCUS report reinforces the role that retail choice plays in addressing public and economic goals related to customer assistance, energy efficiency, renewable energy development, the environment, and job creation. Mr. Treadway explained, “A well-designed market platform delivers clean energy options and consumer choice. It is consumer choice, combined with appropriate public policies, that is transforming the electric industry,” he said. “Many regulatory commissions across the country have made significant progress in listening to the needs of consumers in their states, and are crafting market-based policies that deliver on their demands.”

Market forces continued to deliver lower retail power prices as input fuel prices remained low in 2011, a great societal value against the backdrop of a continued economic slump. Additionally, market-based policies resulted in protections for all customers, programs to assist low-income consumers with payment assistance, robust energy efficiency and demand-response programs based on solid economics and verification standards, and dramatic investments in renewable energy resources. For example, the ABACCUS report highlights how nearly 80 percent of U.S. installed wind capacity is located in regions with competitive wholesale electricity markets, while these areas have only 44 percent of U.S. wind energy potential.

## **2011 ABACCUS Rankings, Assessments and Recommendations**

A hallmark of the ABACCUS analysis and report is the breadth of issues explored. The ABACCUS rankings and recommendations address design issues that are directly related to the ABACCUS methodology topics: 1) retail market status, 2) wholesale market competition, 3) default (standard or basic) service design, and 4) facilitation of the choice of retailer.

This comprehensive assessment methodology was developed over several years through a collaborative effort among retail energy suppliers and representatives from state regulatory commissions. The ABACCUS methodology applies data related to market structure and performance to score each state or province, which results in a ranking. This year’s rankings for the top areas are:

### 2011 ABACCUS Rankings and Assessments

Residential			Commercial/Industrial		
Jurisdiction	2011 Rank	2011 Assessment	Jurisdiction	2011 Rank	2011 Assessment
Texas	1	Excellent	Texas	1	Excellent
New York	2	Excellent	Illinois	2	Good
Pennsylvania	3	Excellent	New York	3	Good
Alberta	4	Good	Pennsylvania	4	Good
Connecticut	5	Good	Maryland	5	Good
Maryland	6	Good	Connecticut	6	Good
Illinois	7	Good	Alberta	7	Good
Massachusetts	8	Good	Maine	8	Good
Ontario	9	Unsatisfactory	Massachusetts	9	Good
Ohio	10	Marginal	New Jersey	10	Good
Maine	11	Marginal	District of Columbia	11	Good
New Jersey	12	Marginal	Ohio	12	Good
District of Columbia	13	Marginal	California	13	Marginal
New Hampshire	14	Marginal	Delaware	14	Good
Michigan	15	Unsatisfactory	Ontario	15	Marginal
Rhode Island	16	Marginal	New Hampshire	16	Marginal
Delaware	17	Marginal	Rhode Island	17	Marginal
California	18	Unsatisfactory	Michigan	18	Unsatisfactory

The report also presents recommendations based on public policy choices that support the application of competitive forces. Chief among these is the design of default service. A poorly designed default service program can undermine retail competition because it attempts to provide services that a market can best provide, and therefore creates greater barriers to entry for competitive entities which are better suited to meet unique consumer needs.

There are a number of actions that policymakers can take to reduce the impediments of default service to competitive retail markets. Key among these is the movement of default service to a more market-reflective rate in the near term. Short-term prices are more efficient, exclude the premiums associated with long-term fixed prices, and allow consumers to better respond to price changes. For consumers who desire a longer-term, fixed-price product, competitive retail suppliers offer these products.

ABACCUS provides a baseline for building a properly functioning competitive energy market. Copies of the full report are available at [www.defgllc.com](http://www.defgllc.com).

***Editor’s note: A media conference call will be hosted by Mr. Treadway on Wednesday, November 30 at 11:30 a.m. EST. Please dial (866) 614-2162 and use code 473 162 9466. Mr. Treadway will be joined on the call by several regulatory commissioners and members of the ABACCUS Advisory Board.***