



Energy Retailer Research Consortium
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Alberta's Residential Electricity Market Structure Ranks 3rd, Commercial/Industrial Electricity Market Structure Ranks 5th Most Successful in North America;

Annual Baseline Assessment of Choice in Canada and the United States (ABACCUS) Study Released

Well structured competitive electricity markets provide choice and facilitate energy management for residential, commercial, and industrial customers

Houston, TX ... The Energy Retailers Research Consortium (ERRC), an independent research consortium that supports retail energy choice, issued companion reports today on the status of retail electricity competition in residential and commercial/industrial markets. The reports identify the successful markets in North America and explain the policy choices that led to those successes. As a result of this comprehensive analysis, Alberta's residential electricity market structure has ranked third, and its commercial/industrial electricity market ranked fifth best in North America.

"Well structured competitive electricity markets give all customers choices to manage their energy bills," said Nat Treadway, the ERRC Projects Manager. "Competitive electricity markets create new economy clean energy jobs and promote technological innovation for a 21st Century electric infrastructure."

According to the ABACCUS report, commercial and industrial customer choice is thriving in many US states and Canadian provinces because well designed and structured electric markets foster the introduction of numerous product offerings and services that were not available in traditional electric markets. A significant variety of products and services is available today, including: locking in energy prices for a year or more, indexed energy prices, hourly energy pricing, green or renewable energy pricing, the bundling of maintenance services with electricity purchases, the development of on-site power generation, premium power quality services, backup power and reliability services, energy efficiency services and opportunities for customers to participate in bulk power markets.

Additionally, residential consumers (the mass market) are benefitting from customer choice in several areas and are poised to reap additional benefits from rapid technological change moving forward. New infrastructure investments – such as advanced meters, communications and control – will allow entrepreneurial retailers to develop innovative pricing and service choices in addition to the many options that are already available today for small consumers. Consumers

will have the ability to lower their total energy costs, increase their control over energy costs, reduce their impact on the environment, and increase the value of electric services in their lives.

The reports identify Texas and New York as leaders in the US. The reports also identify the Canadian province of Alberta as a leader where its policies have fostered choice for residential electricity customers. Appropriate policies in these areas have resulted in the creation of vibrant competitive electricity markets with numerous retailers and service choices for customers of all sizes.

Mr. Treadway explained that social and economic goals – those relating to energy efficiency, renewable energy development, the environment, and job creation – are well suited to competitive electricity markets. “An appropriate market platform can turn challenges into opportunities,” he said. Organized markets also have mechanisms that allow direct customer participation in demand response to enhance reliability, improve economic power dispatch and improve the moment-to-moment operation of the electric network.

Some of the recent criticism of competitive markets is also addressed in the report. One hears that “rates are increasing in competitive markets” when rate fluctuations are really the result of input fuel price increases that can be exacerbated by regulatory or legislative decisions to artificially depress prices below market costs. In contrast, market mechanisms are robust in areas like Texas, New York and Alberta. In these areas and others, retail choice did not result in the demise of social and economic goals relating to energy efficiency, renewable resource or hard-to-serve customers. Instead, new mechanisms have resulted in protection of all customers, programs to assist low income consumers with energy efficiency, robust energy efficiency and demand-response programs based on solid economics and verification standards, and dramatic investments in renewable energy resources. For example, there has been more wind turbine power production and associated capital investment in Texas than any other state and these trends continue. Texas has also adopted rules to ensure transmission investments to bring wind power to market.

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2008 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 or standard service design, and 4) facilitation of the choice of retailer. This comprehensive assessment methodology was developed through a collaborative effort among retailers and representatives from eight state regulatory commissions. The ABACCUS methodology applied data regarding market structure and performance to score each state or province which results in a ranking. The following rankings are reported for the top performing jurisdictions:

2008 ABACCUS Rankings and Assessments

Residential			Commercial/Industrial		
Jurisdiction	2008 Rank	2008 Assessment	Jurisdiction	2008 Rank	2008 Assessment
Texas	1	Excellent	Texas	1	Excellent
New York	2	Excellent	New York	2	Good
Alberta	3	Good	Illinois	3	Good
Maryland	4	Good	Maryland	4	Good
Massachusetts	5	Medium	Alberta	5	Good
Maine	6	Medium	Maine	6	Good
Connecticut	7	Good	Massachusetts	7	Good
New Jersey	8	Medium	Connecticut	8	Good
Pennsylvania	9	Good	New Jersey	9	Good
Illinois	10	Good	Pennsylvania	10	Medium
District of Columbia	11	Medium	Delaware	11	Medium
Delaware	12	Medium	District of Columbia	12	Medium
Ontario	13	Medium	Ohio	13	Medium
New Hampshire	14	Medium	Rhode Island	14	Medium
Rhode Island	15	Medium	New Hampshire	15	Medium
Ohio	16	Marginal	Ontario	16	Medium
California	17	Marginal	California	17	Marginal

The reports also present 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 provide, and therefore creates greater barriers to entry for competitive entities that are better suited to meet unique customer needs. There are a number of actions that a state 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 retailers are offering such products.

The ERRC believes that the ABACCUS provides a baseline from which to build a properly functioning competitive energy market. For more information, please contact Nat Treadway at (713) 729-6244. Copies of the reports are available at no charge through www.defglc.com.