



**Retail Energy Supply Association**

**For Immediate Release**

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## **INDUSTRY STAKEHOLDERS GATHER IN HARRISBURG FOR ELECTRICITY MARKETS INITIATIVE CONFERENCE - FOCUS ON INNOVATION, COMPETITION AND WHAT'S NEXT**

Harrisburg, PA (April 18, 2011) – Nearly 80 industry stakeholders, including many members of the Retail Energy Supply Association (RESA), gathered in Harrisburg last week to discuss aspects of the competitive market, from innovation to energy efficiency and customer choice. The daylong program opened with a view from the legislature provided by Representative Chris Ross (R- Kennett Square) Majority Chairman of Urban Affairs Committee and a keynote address by Pennsylvania Public Utility Commission Chairman Robert F. Powelson.

The Penn State University Electricity Markets Initiative organized the conference, and Dr. Andrew Kleit, professor of Energy and Environmental Economics at the Pennsylvania State University runs the Initiative. The EMI conference provided an overview of competitive electricity markets in Pennsylvania and nationally, as well as renewable mandates and environmental benefits and demand response and conservation.

The first presentation was provided by Dr. Anastasia Shcherbakova, a professor of Energy Economics, Risk and Policy in Penn State's Department of Energy and Mineral Engineering. Her overview focused on retail electricity in the PPL Electric Utility service territory where retail caps were removed in January 2010. Her studies found that highly educated, urban and low income residential customers were all statistically making the switch to retail choice and that those in a new address in the PPL Utility Service territory were 5.9 percent more likely to switch to a competitive supplier than others. Other key drivers for customer switching include: higher energy usage, the presence of electric heat, and having neighbors or friends who have switched to competitive supply.

According to the April 13, 2011 Pennsylvania Public Utility Commission report, more than 532,000 PPL Electric Utility customers have made the switch to retail supply, with suppliers serving more than seventy percent of the electric load. Across all utility territories, the Pennsylvania Public Utility Commission reported that more than 1,048,200 residential and business customers combined are shopping in the competitive market.

Dr. Phillip Connor, of Chicago-based PROactives Strategies, Inc. and author of the COMPETE Coalition's November 2010 paper entitled 'Customer Choice in Electricity Markets: from Novel to Normal' addressed the group next. He stated that since 2003 the amount of competitive load

served by retail suppliers in the 17 restructured US jurisdictions has doubled. He said, competitive suppliers nationally “are serving 44 percent of the electric load eligible to be served competitively.” He went on to say that from 2009-2010 customer choice had expanded. During that time period more than 9 million residential and 1.8 million commercial customers -- or a total of nearly 11 million customers -- were shopping in the competitive market. He emphasized the diverse products and services are key differentiating factors of the competitive energy market and went on to say that competition was global with customers shopping in Canada, the UK and parts of Latin America. Nationally, he said the development of US markets has evolved largely in a “utility by utility” manner, and he believes that will smooth out over time with greater consistency across all service territories. He made the observation that many political debates across the US have focused on the residential market and that it is important for politicians and policy makers to take a look at the entire market, including the commercial and industrial market.

In answer to the question “Are competitive electricity markets green?” Dr. R.J. Briggs, assistant professor of Energy and Environmental Economics at Penn State says the short answer is “yes.” While the data is still preliminary he said, “in restructured states we found a 0.16 percent decrease of carbon dioxide emissions from fossil fired generation as a result of plants operating more efficiently and generating more electricity per unit while creating less carbon dioxide per megawatt hour.” He also noted that competition, not restructuring alone, were seen as a factor in these changes pointing to improved fossil fuel efficiency and changes in generation portfolios under competition as having led the way to reduced CO2 emissions.

Are competitive markets fostering innovation? Jessica Harrison of KEMA, a Massachusetts-based consulting firm, said without a doubt, “competitive markets are driving innovation in demand response” and in many other areas. “Competition has driven parties to differentiate and vie for customers with innovative offerings,” she said. Key elements helping to accelerate innovation include fair market rules, accessibility, and risk reward.

What can we expect in Pennsylvania’s energy future? Commissioner Powelson noted that in connection with moving competition forward, the rubber meets the road with residential shoppers. Powelson noted that remaining on default service when you can get lower rates from retail suppliers is a customer’s choice, but may not be the smartest choice. He said that the default service structure is in need of “significant changes.” In response to a question from the audience he pointed out that there are regional differences in competitive market structures across the country and that he sees competitive restructuring opportunities emerging in Arizona and Florida.

Majority Chairman Ross said that Pennsylvania will continue to move competition forward and that both the utilities and the suppliers need to play a role in that success. He also said that while he wants to support renewable energy, he noted that there must be healthy balance and take into consideration what is also in the best interest of the ratepayers.

Sanem Sergici, Senior Associated of Cambridge Massachusetts-based The Brattle Group discussed the value of dynamic pricing as a way to provide better price signals and encourage conservation and efficiency. Better customer education and expectation setting is also an essential part of the process.

Steve Elsea, Director of Energy Services for Missouri-based Leggett & Platt, Incorporated

highlighted price transparency and avoided as two big benefits of demand response. While Jeff Bladen, Chief Commercial Officers for the Mark Group closed the conference with comments on the regional market design and energy efficiency.

“Pennsylvania transition to a competitive retail market has been a major success story,” said Ritchie Hudson, Pennsylvania State Chair for RESA. “Events like this stakeholder gathering highlight Pennsylvania’s central role in the rapidly growing industry. Those that attended this event hopefully gained additional insight into the benefits of the competitive energy market here in Pennsylvania and across the nation.”

RESA, whose members provide a wide array of value-added electric and gas commodity products to customers in restructured markets across the US and abroad, advocate for the creation of vibrant and sustainable competitive retail energy markets. “Over the last decade, retail electric and gas competition has continued to grow as consumers have become aware of energy choices,” says David Fein. “While those gains have been significant in recent years, there is still much work to be done to continue to develop the competitive marketplace for the benefit of customers of all sizes. We believe the continuing development of vibrant and healthy competitive retail markets is the best choice for all consumers and we support and promote educational forums that further inform consumers and stakeholders as to the benefits of customer choice.”

To see full conference agenda and learn more about the Initiative visit [www.electricitymarkets.psu.edu](http://www.electricitymarkets.psu.edu).

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#### **About RESA**

RESA’s members include: Champion Energy Services, LLC; ConEdison *Solutions*; Constellation NewEnergy, Inc.; Direct Energy Services, LLC; Energy Plus Holdings, LLC; Energetix; Exelon Energy Company; GDF SUEZ Energy Resources NA, Inc.; Green Mountain Energy Company; Hess Corporation; Integrys Energy Services, Inc.; Just Energy; Liberty Power; MC Squared Energy Services; MXenergy; NextEra Energy Services; Noble Americas Energy Solutions LLC; PPL EnergyPlus; Reliant Energy Northeast LLC and TriEagle Energy, L.P. The comments expressed in this release represent the position of RESA as an organization, but may not represent the views of any particular member of RESA. For more information, contact RESA Executive Director Tracy McCormick at (717) 566-5405 or go to [www.RESAUSA.org](http://www.RESAUSA.org).