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Smitherman, others respond to latest DEFG market rankings

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Pennsylvania market may emulate Texas

Texas again took the top spot in the Distributed Energy Financial Group's (DEFG) electric choice rankings for both residential and C&I markets. The retail market in ERCOT took the top marks in the group's latest "[Annual Baseline Assessment of Choice in Canada and the United States](#)" (ABACCUS) report, released yesterday.

"We are obviously delighted to be number one," said Texas PUC Chairman Barry Smitherman on a press conference call yesterday. "We are committed to competitive markets. This is a hallmark of the ERCOT market and we continue to strive every day to try to improve the customer experience."

Price is always important to markets but it is not the only value proposition that competitive retail markets offer, he added. Every major metropolitan market in ERCOT has at least 20 retailers offering a variety of products to consumers including fixed-priced, indexed, variable, green power, pre-paid and other options that increasingly incorporate the smart grid. Choice is a major value proposition.

"We're creating a market where the customer is as important in the purchasing decision as the supplier," said Smitherman.

Smart meters by themselves offer value in showing customers more information on how they use power, helping them save, said Smitherman. Texas is rolling out the technology in areas outside the retail market, too, he added.

In the competitive market, customers choose TOU pricing or prepaid plans that can boost the value of smart meters, said Smitherman.

Customers decide whether they want those plans and the chairman believes use of them will lead to smaller peaks, he added.

"I do think the competitive market is a great compliment to time-of-use pricing."

Texas' rollout of advanced meters is one relatively new development but last week, its wholesale market switched to nodal after years of implementation efforts (RT, [Dec-02](#)).

It is still too early to say exactly how the new wholesale system will impact retail prices, Smitherman said yesterday, but wholesale prices have stayed low so far and he expects that mirrored in retail eventually.

The PUC has not seen any of the retailers trying to pass through unexpected wholesale or congestion charges, a worry the commission had before the change, he added.

Pennsylvania follows?

The Pennsylvania market could start to look a bit more like Texas in the future, Pennsylvania PUC Commissioner Robert Powelson said yesterday at a conference on the report. "We always like to tout the fact that you have 35% residential shopping in PPL but that also tells me that we have 65% of those customers that have not picked an alternative generation supplier," said Powelson.

With a new governor and new legislature, stakeholders are having "serious conversations about adopting a hybrid approach similar to Texas -- of getting these companies out of the notion of default supply," said Powelson. "It was something that was designed in the mid 90s out of a concern that customers would not shop." In hindsight, those concerns may have been unwarranted considering 95% of Texas residential customers shop on the retail market.

"There was never a thing known as capped generation rates in Texas," he added. "You have to pick a supplier. That's where we have to get here in Pennsylvania or you will never see

upwards to 80-90% shopping numbers," said Powelson. "We're having that discussion here in Pennsylvania."

The rankings revealed

Pennsylvania was ranked sixth in the report, after Texas, New York, Illinois, Maryland and Connecticut -- and it was noted for its success. The rankings are not graded on a curve, noted the report, and scoring is very tough.

"The importance of markets like Pennsylvania can really not be underscored enough," said Smitherman. "We've been able to accomplish a lot in Texas but to see states pushing forward [like Pennsylvania] is doing and really spread this model across the country, I think is so important," said Smitherman (**EDITOR'S NOTE:** The report findings were further analyzed in another story in this issue).

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