



2009 Survey Issue Brief:

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New Englanders Overwhelmingly Favor Consumer Choice and Competition in the Electricity Industry

A recent survey conducted by Opinion Dynamics for the New England Energy Alliance found New Englanders favor market-based approaches to limit greenhouse gas emissions and improve energy efficiency by a significant margin in comparison to government regulation and mandates. There also seems to be no inclination to roll back electricity industry restructuring as a very significant 78% of survey respondents at least somewhat favor consumer choice and competition for electricity.

78% say they favor competition in the electricity industry

Historically, electricity was delivered by regulated electric utility companies that acted like monopolies. They were mandated by state regulators to build and operate generating plants as well as deliver electricity to homes and businesses. The New England states, however, were among the first in the nation to restructure electricity markets beginning in the late 1990s. In short, most electric utilities were required to sell their generating plants and allow unregulated, privately-owned generation companies to compete in a deregulated wholesale marketplace. The utilities, now known as “local distribution companies”, deliver electricity and remain state regulated.

A key goal of restructuring was to provide consumers with “choice” – the option to purchase electricity from competitive suppliers. All the New England states, with the exception of Vermont, introduced competition into retail markets.

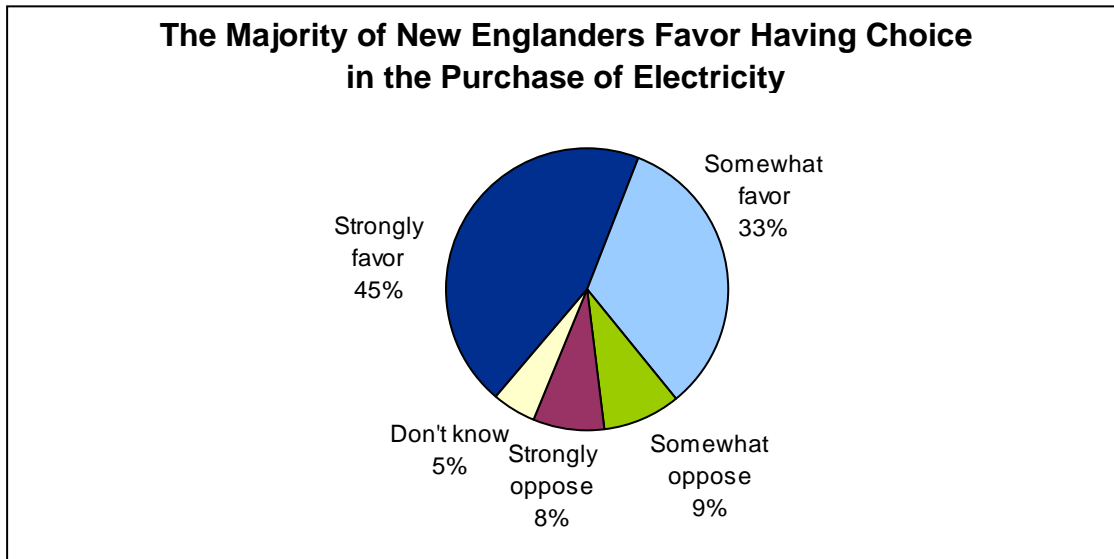
Ten years after restructuring, 78% of New Englanders are at least somewhat in favor of the concept of having consumer choice in the purchase of electricity – with 45% strongly in favor. This support remains unchanged over the past year.

The concept of consumer choice is favored fairly equally across political party lines, but especially among independent voters – 81% favor the concept of consumer choice in the purchase of electricity compared to about 77% of Democrats and Republicans. Importantly, there were no major geographical differences of opinion among voters – with at least 74% favoring competition in each state.

As is the case with many major public policy initiatives like electricity restructuring, once they are in place for just a few years, they become accepted “tradition” – no matter how “radical” they may have seemed at the outset.



A number of independent studies (as well as one by the New England Energy Alliance in 2006) have shown that electricity industry restructuring has helped to better protect the environment through increased generating efficiency and provided consumers with substantial savings compared to pre-restructuring trends.



Almost 50% believe the marketplace will provide needed infrastructure without government intervention

Shortly after New England restructured its electricity industry in 1999, significant progress was made in expanding the region's electricity infrastructure. An unprecedented 10,000 Megawatts of new generation was added, increasing the region's electricity supply by 30%. Soon thereafter, construction of new generation slowed because the marketplace lacked appropriate financial incentives to attract long-term investment.

As a result, the Federal Energy Regulatory Commission (FERC) charged ISO New England (the region's independent operator of the electricity grid) with developing a market-based approach to ensuring adequate investment in infrastructure. Prior to restructuring, state government agencies played a key role in mandating an adequate supply of electricity.

ISO New England, with industry stakeholder participation, created a competitive market structure – called the Forward Capacity Market (FCM) – that provides economic incentives through an auction structure to attract investment in new and existing resources in New England. The region's first FCM auction was held in February, 2008.



Almost half of the survey respondents (47%) believe the competitive marketplace will provide adequate financial incentives to spur investment in new generating plants and infrastructure projects. On the other hand, a little over a third (36%) believe ensuring an adequate electricity supply is too important to be left to market forces alone – and should be the responsibility of government agencies as well.

Many also favor market-based approaches to electricity efficiency and emissions reduction

New Englanders were also asked which of the following three approaches would be the best option to decrease the amount of electricity we use:

- Mandated government programs paid by all customers
- Markets should be allowed to work
- Government standards for appliances

Government mandated programs were weakly supported by just 15% of the respondents. The other two choices were even at about 34%. Interestingly, when they are added together, these two choices (which could as a practical matter be easily implemented together) come close to the super majority that favors consumer choice and competition. This suggests that consumers favor government efficiency standards (which have been in place for decades) but want them implemented by the marketplace so that they have choice and competition.

In terms of the environment, less than a third favor government mandates to limit greenhouse gas emissions from electricity generating plants through the imposition of taxes and increasingly tougher mandates that a generating plant would have to comply with or face shutdown. Instead, the majority of New Englanders support a market-based approach that uses profit as a motive for companies to invent, improve, or acquire a way to cost-effectively and flexibly reduce their emissions.

The annual telephone survey was performed by Opinion Dynamics Corp for the New England Energy Alliance in January 2009 and included 600 registered voters proportionately distributed throughout New England. The margin of error is +/-4%. The complete results on a variety of energy issues are available at www.newenglandenergyalliance.org.

The New England Energy Alliance is a coalition of energy providers and trade organizations that advocates for action to ensure the availability, reliability, and affordability of future energy supplies.