

## **MEGA Response to EC Question #16**

Michigan's electric choice program adopted in 2000 PA 141 required all investor-owned electric utilities, including MEGA members, to implement the program for all customer classes. Alternative energy suppliers had no utility-type duty to offer service to any specific customer or customer class, however. As a result, the marketers could choose the most profitable utility customers for targeted offerings. From 2001 until relatively recently, the generation marketers did not pursue customers of any type in the service area of MEGA member electric utilities in the Upper Peninsula, Southwest Lower Michigan and Alpena areas. While customers in those areas had a theoretical "right" to participate in customer choice starting in 2001, actual participation requires a willing alternative seller of generation service. In practice, very few residential customers have ever exercised the right to choose their electricity supplier. The reason is likely that the transactions costs of supplying power to residential customers is very high compared to others and presents a limited profit opportunity for competitive suppliers.

From 2002 through 2006, Texas implemented a choice transition period. During the transition period, a customer could remain with the retail electric provider affiliated with the former incumbent, or choose to switch. Those who stayed were offered a regulated rate called the "price to beat." With the expiration of the transition period, came the expiration of default service and an incumbent provider. Now, in an era without the option of default service, Texas has achieved 100 percent<sup>1</sup> customer choice within the competitive region of ERCOT.<sup>2</sup>

Texas has two utility service areas. One is inside ERCOT. Their customers only have access to competitive suppliers as default service no longer exists. Outside of ERCOT, the Public Utility Commission of Texas has deemed that inadequate wholesale market competition prohibits the implementation of successful retail competition. Regulated rates continue to exist there. Municipal electric companies in Texas have the option of going to competition or remaining as the incumbent provider. To date, only one municipality has chosen to move to competition.

A handful of states including Oregon and Virginia have decided to limit customer choice to business customers and not made it available to residential customers<sup>3</sup>.

Generally in other deregulated states, all or most retail customers have the legal if not the practical opportunity to select an electric provider.

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<sup>1</sup> <http://www.competecoalition.com/files/ABACCUS-2012.pdf> page 15

<sup>2</sup> <http://www.competecoalition.com/files/ABACCUS-2012.pdf> page 90

<sup>3</sup> <http://www.cga.ct.gov/2011/rpt/2011-R-0274.htm>