

Electricity Competition and Retail Consumer Choice

Restructuring a monopoly electricity state – WHAT, WHY, and HOW

[Energy Freedom Colorado](#) is researching "retail restructuring" (or "deregulation") – changing our monopoly electricity system to one that allows competition and consumer choice of electricity provider and rate plan. Residents and businesses in about [20 states](#) enjoy some form of electricity choice. This is a summary of our initial findings.

1. WHAT are the key elements of "retail restructuring"?

- It applies to monopoly [investor-owned utilities](#) (IOUs), but could be an opt-in for [co-ops](#) and [municipal utilities](#).
 - **Vertically-integrated IOUs are broken up** by separating electricity [generation](#) (power plants) from electricity delivery (wires); divesting generation assets to a separate company; and negotiating recovery of "[stranded costs](#)".
 - **Many electricity providers compete for customers** based on cost and energy source.
 - **Both individual choice and aggregated community-level choice** are desirable (see [the Illinois model](#)).
 - For more information, see the overview "[Electricity Competition and Consumer Choice in Colorado](#)."
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2. WHY would a monopoly state want retail competition and consumer choice?

- **Monopolies for electricity generation can no longer be justified** given thriving competition in other states.
 - **Competition will lower costs for consumers** in the long run.
 - **Competition and consumer choice will lead to cleaner electricity**, especially as the [cost of renewable energy](#) and energy storage continue to [decline](#). Many retail choice providers offer a high-renewables option.
 - **Corporations want to contract directly for low-cost renewables** without the additional costs added by monopoly utilities. States without corporate choice may have [difficulty attracting](#) and keeping energy intensive businesses.
 - **Competition will likely accelerate the pace of innovation** if nimble third parties are allowed to propose better solutions for grid needs (in both retail and wholesale markets). Innovative ideas include: "[Non-wires alternatives](#)"; [energy storage](#); [distributed energy resources](#) (DER); and [demand-side management](#). These are [flexible](#) alternatives to centralized [baseload](#) generation, new transmission lines, and upgrading substations.
 - **The cost-of-service utility business model contains perverse incentives** that inflate costs by encouraging overbuilding and by stifling innovation. Competition will unleash third-party innovators to propose cost-effective solutions such as those listed above.
 - **Competition shifts the risk of generation investment** from consumers to the private sector, where it belongs.
 - **Now is the time to act**, as retail markets will take 3-6 years to implement. The state should begin to position itself for a more dynamic, complex, distributed, renewable, and innovative grid of the future.
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3. HOW could retail restructuring be implemented?

- **Restructuring is a legislative action.** It can be initiated by legislators, or by voters as in [Nevada](#).
 - **A state-level commission could be established** to study developing a competitive retail electricity market, using a transparent stakeholder process like that [now underway in Nevada](#). Perhaps the state could devote staff time to following the proceedings in Nevada.
 - **We can learn lessons of successful restructuring programs** from other states, and avoid past mistakes.
 - **This is not a partisan issue.** There should be equal numbers of D and R sponsors or committee members.
 - **Messages/themes:** "monopoly vs competition"; "consumer choice"; "cheaper and cleaner electricity".
 - **IOUs may see restructuring as an opportunity.** It may be possible to offer them a "carrot" that brings them on-board; for example: needed grid modernization actions; greater distribution-level management services with the rise of local DERs and electric vehicle charging; or new energy services. These opportunities for utility leadership and profitability could be offered to incumbents rather than be put out to bid, in exchange for their support of restructuring.
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Energy Freedom Colorado stands ready to answer questions, provide background information or knowledgeable opinions, and give assistance or advice to legislation drafters ([contact](#)). Website: [EnergyFreedomCO.org](#)