

Why restructure an electricity monopoly state?

Retail electricity competition and consumer choice – WHAT, WHY, and HOW

[Energy Freedom Colorado](#) researches "retail restructuring" (or "deregulation") – changing a 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"?

- **Applies to monopoly investor-owned utilities** (IOUs), but could be an opt-in for [co-ops](#) and [municipal utilities](#).
 - **Vertically-integrated IOUs are separated** into electricity [generation](#) (power plants) and delivery (poles and wires); generation assets are divested to a separate company; and recovery of "[stranded costs](#)" is negotiated.
 - **Many electricity providers compete for customers** based on cost, energy source and other factors.
 - **Both individual choice and aggregated community-level choice** are best (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 ultimately requires state legislation**. However, it can be advanced by legislators, PUC commissioners, business coalitions, other stakeholder groups, and/or by voters as in [Nevada](#).
- **A committee in the Legislature and/or at the PUC could be established** to study development of a competitive retail electricity market, using a transparent stakeholder process like that [now underway 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**. In Massachusetts, the [CEO of the dominant utility promoted restructuring](#) as a way to reduce business risk. Opportunities could be offered as "carrots" to incumbent utilities rather than be put out to bid, for example: needed grid modernization; greater distribution-level management of local DERs and electric vehicle charging; new energy services; and fair stranded cost recovery.

For more detail, see "[The Case to Study Retail Electricity Choice](#)" (submitted to PUC docket no. 17M-0694E).

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](#)