



NARUC

*Serving the consumer interest
by seeking to improve the
quality and effectiveness
of public utility regulation
in America.*

Unbundling of Network Operators: U.S. Network Industry Structure

Commissioner Philip B. Jones, President, NARUC;
Commissioner, Washington Utilities
and Transportation Commission

**10th EU-US Energy Regulators Roundtable
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NARUC Disclaimer

- **No position supporting or opposing retail markets, restructuring**
- **States should determine what works best for them**
- **Each structure has pros, cons**



US Market Structure

- **Dual Regulatory Structure**
 - **US Federal Energy Regulatory Commission**
 - **Wholesale sales, interstate transmission services**
 - **State utility commissions**
 - **Retail sales, vertically integrated services, transmission siting, planning, distribution**



US Market Structure

➤ Traditional Utility Markets

➤ Vertically integrated utilities

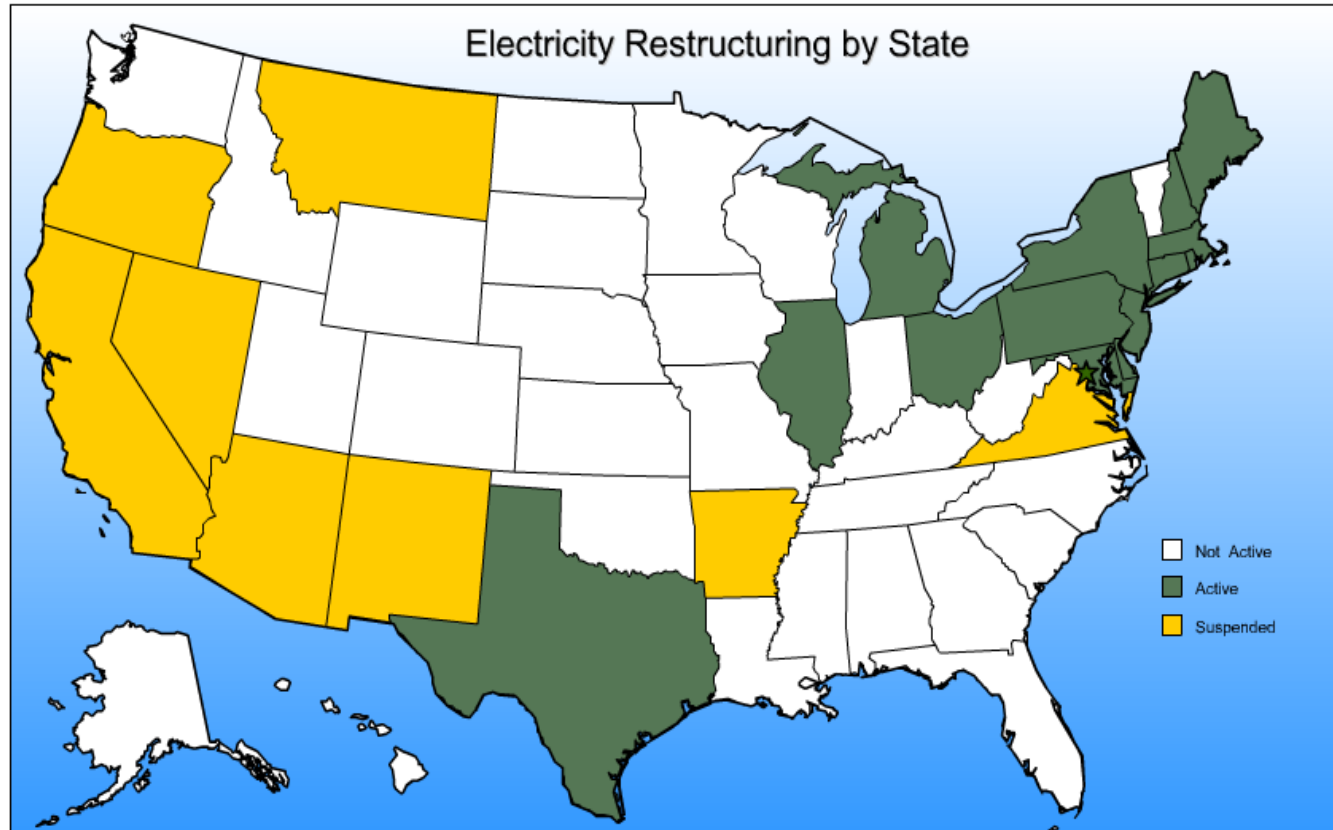
- Fully regulated by States, except for wholesale sales and transmission services if in RTO
- Monopolies—own generation, transmission, distribution

➤ Organized Markets

- Utilities divested or spun off generation, gave control of transmission to RTO/grid operator
- Many operate in retail markets where consumers 'shop' for power



Electric Retail Competition in US



Map courtesy of the U.S. Energy Information Administration



Electric Retail Competition in US

- **2000-2001 Western Energy Crisis**
 - **Intense heat, vulnerable market design led to Wild West**
 - **Skyrocketing electricity prices, supply shortages**
- **Political Fall Guy: California Gov. Gray Davis**
 - **Once promising career ended after becoming second US governor to be recalled**
- **Result: Retail competition halted, six States suspended and abandoned plans**

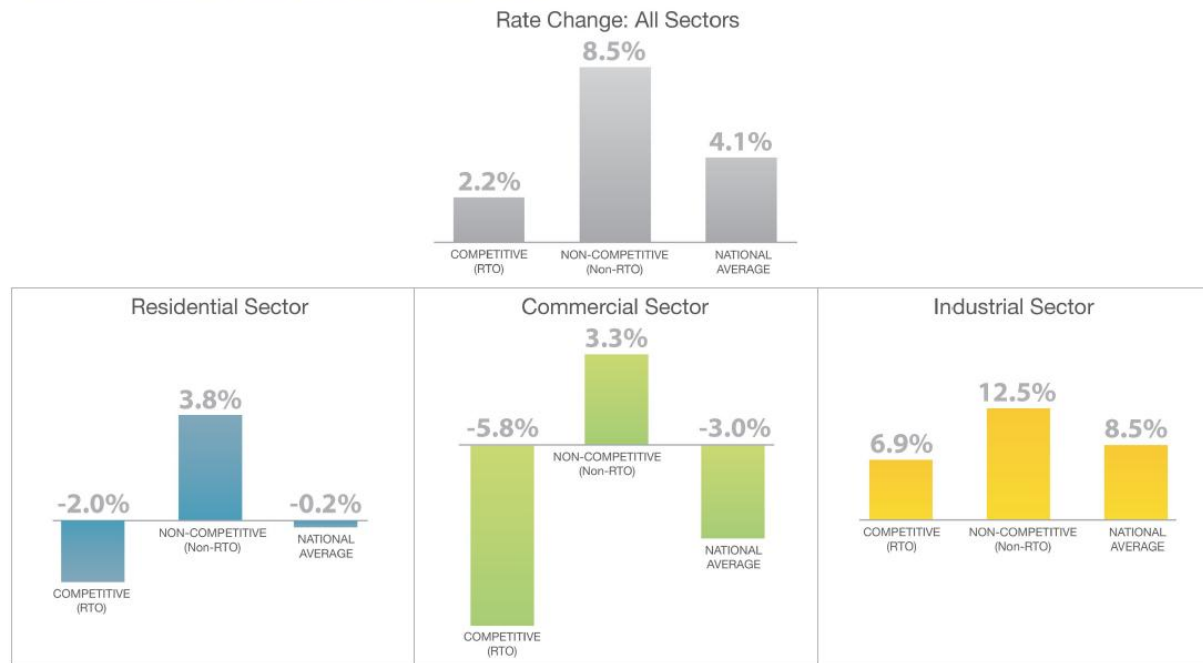


Electric Retail Competition in US

UPDATED: Competitive Electricity Markets Continue to Post Lower Rate of Change



Comparison of Rate Changes Across Electricity Markets: 1997–2011
 Competitive Markets (RTO*) vs. Non-Competitive (Non-RTO**) Markets



* An RTO is a regional electricity market operated by an independent administrator, in which prices are set through a competitive transparent process. Competitive (RTO) states include: CA, CT, DE, IL, IA, KY, ME, MD, MA, MI, MN, MO, NH, NJ, NY, ND, OH, PA, RI, TX, VA, VT, WV, WI and DC

** Non-RTO markets, operated by monopoly utilities, do not use a competitive, transparent process to set prices

Results were calculated using price information from the U.S. Energy Information Administration (EIA) and a Consumer Price Index of Urban Consumers (CPI-U) of 40.1% for the period between 1997 and 2011. Sources: EIA and The Bureau of Labor Statistics.

Z Chart courtesy of the COMPETE Coalition



More Recent Developments

➤ **Jurisdictional Blurring**

- **New transmission, generation being built, is the market providing the right incentives? What happens if not?**
- **Federal efforts on transmission, generation—FERC interest in long-distance power lines, States, localities interest in microgrids, DG**

➤ **Flat utility sales**

- **New transmission, generation being built, is the market providing the right incentives? What happens if not?**

➤ **Renewable Energy**

➤ **EPA Rules**



More Recent Developments

- **New Technologies**
- **Infrastructure Costs**
- **Retail competition momentum seems stuck**
- **Yet those States with choice are pleased**
- **We are where we are, and that's where we'll be**



Questions?

➤ Questions?