National Energy Marketers Association

By CRAIG G. GOODMAN

Energy Policies For The 21st Century

COMPETITIVE SUPPLIERS CAN only succeed in winning customers away from incumbent utilities if they can offer lower prices, better services and more novel products, services and technologies. To deliver the lowest possible prices, new laws and regulations are needed immediately so that competitive suppliers can super-aggregate energy demand and deliver national economies of scale to even the smallest customers.

It is time to coordinate rules, processes, procedures, delivery scheduling and information technologies among the states. True price competition and lower energy prices require competitive suppliers to achieve national, or at least regional, economies of scale. There are a significant number of business procedures, consumer protection laws, technology platforms, operating rules and scheduling processes which, if established fairly, efficiently and uniformly across the country could bring significant cost savings and enhance the reliability of energy supplies.

Currently, there are 50 different states with different rules in multiple utility service territories, different data protocols and transaction sets, different operating procedures, different switching, scheduling and customer protection rules, even different units of measurements. As long as market participants are forced to divert scarce resources to customize computer systems, billing, back-office and customer care facilities, and develop and maintain nonstandardized information protocols or develop specialized knowledge of different business rules for every state and utility service territory, these inefficiencies drive energy prices higher nationwide.

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Monopoly markets must be opened for competition and consumers should be provided shopping credits equal to current monopoly prices to shop for competitive services. Currently, captive utility customers pay monopoly prices for a bundle of services that include many products and services that can and should be provided by competitive suppliers at competitive prices. Until utility rate bases are completely unbundled, consumers should be given shopping credits on their utility bills equal to the utility's fully embedded costs of providing the competitive services that have been historically bundled with traditional monopoly services.

Shopping credits that "back out" the proper amounts from utility rates will permit consumers to shop for competitive services, encourage price competition among suppliers, improve efficiency and stimulate innovation. Failure to give shopping credits that reflect the full monopoly costs historically associated with these services will send erroneous pricing signals to consumers, forcing them to pay twice for the same services. Until consumers are given the full monopoly prices they are currently paying for competitive services to shop for alternative energy services, price competition and lower energy costs will be difficult to achieve.

Existing energy and environmental tax incentives need to be expanded to encourage investments in new energy supplies, conservation, technology and infrastructure. The United States has entered the digital age with an energy infrastructure constructed for the industrial revolution. The United States is operating on a level of reliability that cannot support digital power quality needs. The federal tax code already contains a myriad of targeted energy and environmental tax credits that can and should be updated and expanded to increase the supply of electricity and natural gas and reduce consumption.

One of the lowest cost, highest yield energy policy solutions is to expand existing credits contained in either Section 41 or 48 of the Internal Revenue Code to provide targeted tax incentives to encourage all forms of new energy supply, technology and conservation investments. This should include investments in new pipes and wires to reduce congestion, advanced metering systems, new computer systems, new energy supplies as well as distributed generation.

Energy is the lifeblood of the U.S. and global economies. California's failure to bring on new energy supplies in the face of rising demand should have been a warning bell to opinion leaders throughout the country. You can't block new energy supplies from reaching the marketplace without causing price spikes and blackouts to occur. Consumers can, however, experience lower energy prices if we provide incentives for new energy supply, conservation and technology investments, open markets for real competition and empower consumers with shopping credits equal to the full monopoly prices they are currently paying to local utilities. ■

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