

COMPREHENSIVE ELECTRICITY COMPETITION PLAN

Benefits of the Proposal

The Comprehensive Electricity Competition Plan embodies the overall agenda of the Clinton Administration to expand the economy and improve the environment. A more competitive electricity industry will provide significant benefits to individual consumers and will be a boon to our economy. Our proposal will lower prices, clean the environment, encourage innovation and new services, increase the reliability of our nation's power supply grid, and provide support to rural communities and Indian tribes.

- **Provides \$20 Billion in Annual Savings to America's Families**

The Administration estimates that retail competition will save consumers at least \$20 billion a year. When factoring in both lower electric bills and the reduced cost of goods and services, the typical family of four could save \$232 per year.

- **Improves the Environment**

Restructuring will also produce significant environmental benefits through both market mechanisms and policies that promote investments in energy efficiency, renewable energy, distributed power and combined heat and power technologies. We estimate that our proposals, taken together, will reduce greenhouse gas emissions by 40 to 60 million metric tons in 2010.

Competitive forces will create a more efficient, leaner and cleaner industry. A generator that wrings as much energy as it can from every unit of fuel will be rewarded by the market. Today, a monopoly supplier generally recovers its costs regardless of whether it uses its resources efficiently. Competition also provides opportunities for consumers to vote with their wallets for green power and facilitates the marketing of energy efficiency services along with electricity.

Restructuring also makes possible the introduction of new policy mechanisms such as the renewable portfolio standard and public benefits funding which will guarantee substantial environmental benefits from competition notwithstanding market outcomes. Specific provisions will remove market barriers to the use of combined heat and power technologies, complementing the effects of competition itself in advancing technologies that reduce energy waste.

- **New Products and Services**

Restructuring will also spark innovation in the American economy, creating new industries, jobs, products and services just as telecommunications reform spawned cellular phones and other new technologies. For instance, restructuring will allow competing energy service companies to provide a variety of energy management services and technologies in addition to the traditional gas and electric service offered by utilities today. This will further strengthen our nation's position as the most vibrant and dynamic economy in the world.

- **Strengthens Reliable Service**

The electricity industry, through a tradition of voluntary self-regulation and cooperation, has performed admirably in maintaining reliability over the past thirty years. However, in the highly competitive market environment that is already evolving as a result of actions by the states, a different mix of incentives is at work that mitigates against reliance on a wholly voluntary system. Through Federal legislation, we will establish a framework that requires all participants in electric transactions on the grid to comply with mandatory reliability standards developed by a reliability organization operating under the oversight of the Federal Energy Regulatory Commission (FERC). Reliability will be further strengthened by our proposals to give FERC the authority to require utility participation in independent regional transmission organizations and to facilitate state formation of regional organizations for transmission planning.

- **Protects Consumers**

Under the traditional monopoly structure, consumers have no ability to choose suppliers, so there is generally no need for information comparing the price and environmental qualities of different electricity generators. In competitive markets, consumers need information in order to choose wisely among the many suppliers who will be offering them a diverse menu of energy products and services with differing pricing and billing options. To address this need, the Administration proposes that electricity suppliers be required to disclose information on price and terms and conditions of service in a standardized format. To further facilitate informed consumer choice, the Department will also establish an Electricity Shoppers Database that consumers could access in order to make adequate comparisons among various offers. Our proposed legislation will also provide federal protections against “slamming” and “cramming” abuses by unscrupulous suppliers and encourages aggregation to increase consumers’ purchasing power..

Finally, our proposal benefits low-income consumers through the Public Benefits Fund which will provide matching funds to state-level programs for low-income energy assistance and other public purpose programs, and through a provision that asks states to consider mechanisms to provide low-income customers with access to electricity services comparable to those offered to other residential customers in the same state .

- **Benefits Rural Communities**

The Administration’s plan takes special care to address the needs of rural communities. Competition will provide a powerful incentive to find and implement opportunities for electricity providers to become more efficient and responsive in serving customers that exist in rural as well as non-rural systems. Rural customers will also benefit from a greater variety of service combinations and the ability to choose their power supplier, while continuing to receive service through their existing distribution network. The ability of states to tailor competition to meet

local needs and circumstances under the opt-out provision provides a further assurance of benefits to rural consumers. Our proposal also authorizes grants for rural and remote service in currently unserved or underserved areas.

Notwithstanding our expectation that rural customers will benefit from the advent of competition, the Administration recognizes a special commitment to provide a rural safety net should these expectations not be realized. Under the safety net provision, a national wires charge which could generate up to \$680 million at projected electricity generation levels in 2010 would be available in the unlikely event that rural consumers should suffer an adverse impact from competition.

- **Benefits Indian Tribes**

The Administration's plan recognizes that a fully comprehensive proposal must address the electricity needs of Indian tribes and other native communities. Competition itself will provide new opportunities for communities already connected to the grid to seek low-cost electricity supplies. In addition, our proposed Renewable Portfolio Standard program includes targeted incentives to locate renewable energy facilities on Indian lands, providing both electricity and economic development opportunities. Finally, our proposal authorizes a grant program to provide electricity to unserved and underserved Indian areas and establishes an office within the Department of Energy to address Indian energy needs.