

# NECPUC Symposium panel discussion

Goals of electric restructuring,  
past and present

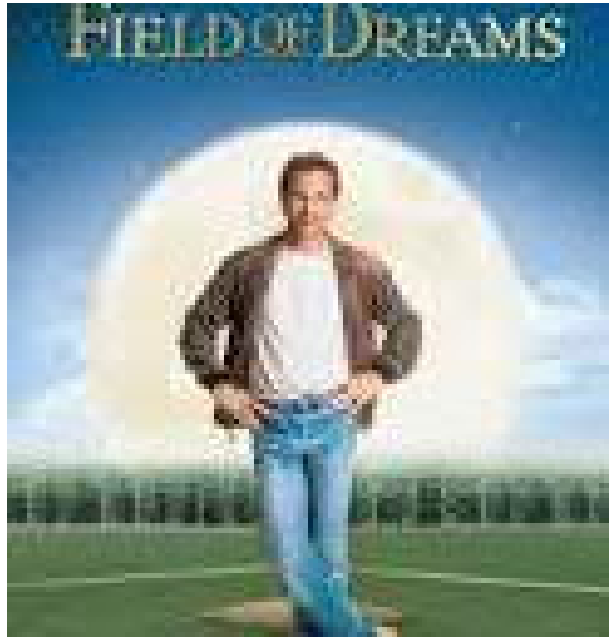
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# Context Matters...

Recall where the power sector was 30 years ago?

- Electric prices steadily increasing
- Concern that utility monopoly over generation was not producing least-cost outcomes
- Customers, especially industrial class, frustrated by lack of choice
- Deregulation fever running rampant at the federal level



Remember 1989?

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By 1999, reality was shifting

# Electric restructuring in the late 1990s

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- By 1999, 24 US states had moved forward to restructure their power markets
- In New England, all six states had evaluated electric restructuring
- Ultimately five states acted; only Vermont's effort stalled
- The utilities were broken apart and new rules were written to create retail competition

# Restructuring goals across the US



1. Lower electricity prices than under traditional regulation through access to lower-cost power in competitive wholesale markets where generators compete on price and performance



2. Better service and more options for customers through competition from new suppliers



3. innovation in generating technologies, grid management, use of information technology, and new products and services for consumers



4. Improvements in the environment through displacement of dirtier, more expensive generating plants with cleaner, cheaper natural-gas-fired and renewable generation



5. Risk associated with investment choices shifts away from captive ratepayers to the shareholders of market participants

# Why did the New England states restructure? What problems were policymakers trying to solve?

Summary of stated goals in legislation:



- Market mechanisms are preferred over regulation to set price where viable markets exist.
- Risks of business decisions should fall on investors rather than consumers.
- Consumers' needs and preferences should be met with lowest costs.
- Electric industry restructuring should not diminish environmental quality, compromise energy efficiency, or jeopardize reliability.

# Restructuring didn't occur in a vacuum – other fundamental policies were also implemented over the past 30 years



- RGGI – the first multi-state carbon cap-and-trade program established in the US includes all of the New England states
- Renewable Portfolio Standards (RPS) are in place in the majority of US states, both restructured and non-restructured
- State and city Climate Action Plans adopted and Greenhouse Gas Laws enacted
- Wholesale capacity auction rules established and revised





## Where are we now? What problem(s) are we trying to solve in 2019?

- Which policy objectives continue to work well and which may need adjusting, based on the current goals of the New England states?
- Are the original restructuring goals expressed by policymakers 20-30 years ago still relevant today?
- Are more modern policy goals compatible with restructured markets?

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