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Lawmakers Unveil Bills to Increase Consumer Choice in Michigan's Electricity Market

Proposed legislation would provide economic and environmental benefits

Washington, DC – Lawmakers in Michigan have introduced legislation to ease limitations on the number of consumers in the state who can purchase power from competitive power suppliers. The companion bills introduced by Senator Wayne Kuipers and Representative Roy Schmidt would raise the state's limit on retail choice from 10 percent to 25 percent of the utility's total electricity demand.

"When power suppliers compete against one another, consumers win," said Bill Massey, COMPETE Counsel and former Federal Energy Regulatory Commissioner. "These lawmakers are standing up for their constituents with legislation that will allow access to lower-cost electricity supplies. Allowing markets to work will promote private investment in clean energy generation and green jobs, creating innovative solutions to meet electricity needs and environmental objectives."

This legislation would amend a state law adopted in 2008 that significantly limited consumers' ability to choose their electricity supplier by imposing a 10 percent limit on retail choice. Supporters of the retail choice cap claimed it would never be reached, that it would create jobs and new investment, and would not result in negative effects on customers.

However, the caps were reached in one year and rates for customers captive to their monopoly-protected utility company rose almost 10 percent from October 2008 to December 2009, making Michigan's electricity rates the highest in the region as prices declined significantly nationwide. More than 1,000 customers are in a "tracker" queue waiting for additional customer choice, and a major proposed power plant project that was cited as justification for the state's re-monopolization law has now been postponed.

The new legislation comes on the heels of a petition by scores of Michigan businesses, including many COMPETE members, to lift the limitation on electricity choice. The combined signatories represented 877 facilities, over \$278 million in annual electricity costs, 74,634 employees, and thousands of customers who visit their businesses each week.

Electricity demand is expected to grow as the economy rebounds, and opening up the state's electricity market will help meet demand by incentivizing new power suppliers and create competitive pressure among incumbent utilities to keep rates down.

In competitive markets, power suppliers compete spurs innovation to provide new products and services at the lowest cost to attract and retain customers. Comparatively, monopoly-protected power providers have little incentive to innovate or lower costs because ratepayers are captive and cannot access an alternative supplier. Unnecessarily high energy costs imposed on state businesses then act like a tax, reducing economic competitiveness and the ability to retain and create jobs.

"With the economy just starting to rebound and additional rate increase proposals pending before the Michigan Public Service Commission, the Governor and Legislature must increase the cap on retail competition to provide electric rate relief, create and retain jobs, and establish a favorable environment for new businesses to locate in the state," Massey said.

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*The COMPETE coalition represents more than 430 electricity stakeholders, employing nearly seven million American workers, including customers, suppliers, generators, transmission owners, trade association ,environmental organizations and economic development corporations - all of whom support well-structured competitive electricity markets for the benefit of consumers.
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