



## Deregulation – The Connecticut Experience

---

Vickie Nardello

Connecticut State Representative

Vice-Chair, Energy & Technology Committee



## 1998 – Deregulation Passed

---

- Connecticut utilities were required to sell their generating assets in order to receive stranded costs
- CL&P sold its generating assets to Dominion, NRG
- CL&P spins off a competitive wholesale division called Select Energy
- United Illuminating sells its generating assets and becomes a wires company
- All customer placed on standard offer
- Standard offer service is provided by NRG, Select, Enron



## 1998 – Deregulation Passed

---

- Rate cap is in place through January 1, 2004
- Customers save with the rate cap
- UI customer save 6%
- CL&P customers save 8%
- CT attempted to foster competition by setting the rate for generation 5% above the actual market cost
- Energy adjustment clause included
- Virtually no competition develops due to low rates and acquisition costs



## 2003 Deregulation bill revisited

---

- Transitional standard offer put in place
- Rate cap changed to the 96 rates with no 10% reduction
- Energy adjustment clause included
- Price went up due to rise in gas and oil prices
- FERC market rule number one



## Bill Opposition

---

- Attempt was made to modify transitional standard offer
- Three amendments offered
  - Permanent Standard Offer with Regulated Rate
  - Introducing greater transparency into the bidding process
  - Eliminating Utility Procurement fees
- Amendments failed to pass
- 25 Legislators voted against the bill



## 2004 Changes

---

- FERC rules changes on how congestion costs are allocated
- CT's congestion cost are higher than other states because of old transmission system and no new plants built
- Federally mandated congestion costs removed from the rate cap
- Congestion costs estimated at one billion dollars



## 2005 Energy Independence Legislation

---


- Purpose was to reduce federally mandated congestion costs
- Incentives for distributed generation, conservation
- Renewable Provisions
- Project 100 – Long term contracts with utilities for renewables
- To date 76MW distributed generation



## 2006 Changes

---

- LICAP settlement makes many of the aspects of the Energy Independence Bill less important
- Comprehensive energy reform bill stalled and was not brought up for a vote
- January 1, 2006 CL&P rates increase 22%



## 2007 Transitional standard service ends

---

- Customers under 500MW demand procured under standard service
- Customers over 500 MW served under supplier of last resort
- UI ends its three year fixed contract
- In state CT generators no longer bid in RFP
- Generators deal directly with hedge funds
- Only three bidders for RFP for standard service
- Three bidders are hedge funds J. Arons, Goldman Sachs, JP Morgan
- Dominion sells to hedge funds for \$65 per MW and hedge funds receive \$130 per MW in RFP



## Rate impact

---

- UI rates increase 50% for residential
- UI rates increase 100% for SOLR
- CL&P rates increase 8% for residential
- CL&P increase 20% for SOLR
- Overall rates increase 90% since 2000
- Generation costs increase 172% for CL&P and 195% for UI since 2000
- Highest rates in continental US – 22cents per KWH for UI 19cents per KW CL&P



## 2007 Energy Bill – Major Policy Changes

---

- Directs the utilities to submit proposals for peakers
- Integrated resource planning
  - Plan developed by the utilities
  - Conservation, demand side management and new generation
  - Reviewed by a stakeholder board of business, consumer, environmental, low income, and agencies representatives
  - DPUC approves and implements plan
  - New generation resources are procured based on the plan after all conservation is met



## Procuring New Generation

---

- Utilities and independent power producers will submit proposals based on cost based rate regulation
- DPUC will pick proposals in best of customers
- Enables a power authority if necessary
- State can direct utilities to serve as supplier of last resort



## Transparency in the bidding process

---

- Requires DPUC to share more information with Attorney General and Office of Consumer Counsel
- Bids are released after six months
- If bids are rejected DPUC must explain why



## Energy Efficiency

---

- Green building standards for state funded schools and new commercial buildings
- Requires that one of the DPUC commissioners have consumer advocacy experience
- Upgrade of appliance efficiency standards



## Energy Assistance

---

- Maintains increase in benefit levels passed in December
- Expanded funding for operation fuel
- Extended end date of moratorium shutoff



## Outstanding Issues

---

- Senate chair who voted against de-regulation now supports full retail competition
- Increased influence of marketers in response to higher prices-Direct Energy, Dominion Retail, Con Edison
- Companies with renewable technologies see opportunity in response to high prices
- Mandating time of use rates
- Forward capacity market