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Sunday, June 5, 2005



Daniel Mears / The Detroit News

Workers monitor a DTE plant. DTE chief Anthony Earley Jr. says a limit on businesses that can change providers would help the electric choice plan.

Deregulation Shorts Out

Industry, lawmakers offer ideas to expand market

Extend choice option to residential customers, limit who utilities can bill for plant costs, some say.

The Detroit News

Electric industry experts, utility officials, alternative electric providers, lawmakers, Public Service Commission members and others proposed ways to improve Michigan's electric choice program. Among them:

- Allow residential customers in cities to vote to sign on with an alternative supplier. Ohio, which has 900,000 residential choice customers, allows this. It's not worthwhile for alternative providers to market to individual homeowners, but they're attracted to large blocs of homes.
- Eliminate "stranded costs" payments as soon as possible. These are paid by all electric customers -- even those who have signed up with alternative suppliers -- to cover the large utilities' power plant costs. This bites into discounts alternative suppliers can offer to customers.
- Exempt electric choice customers from paying stranded costs in economic development zones, as is done in New York.
- Place a cap on the number of business customers that can leave the

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utilities for choice programs. DTE chief Anthony Earley Jr. says this would allow some choice but enable the utilities to maintain enough of a customer base to pay off generating plants.

- Force the utilities to divest their generating plants. Alternative providers say this would end the current potentially anti-competitive situation in which the utilities are both competitors of and service providers to the new power marketing firms. Several states have done this, but it didn't work out in California.
- End the business subsidy of residential electric rates. Businesses pay 10 percent to 20 percent more than it costs to serve them in the interest of keeping residential rates low. Eliminating this subsidy would allow electric rates to business customers to drop and make the residential market more attractive to alternative providers. The Public Service Commission is considering a case involving this "deskewing."
- Give the Public Service Commission more authority to investigate the utilities' spending practices. Former House Energy & Technology Committee Chairman Ken Bradstreet said laws don't give the PSC authority to force utilities to be efficient.
- Expand term limits. Twelve of the 19 members of the House committee overseeing electric restructuring are rookies who can't be expected to grasp the complex issues involved in deregulation. "The chance of the Legislature doing something counterproductive in this area is pretty high," Bradstreet said.
- Let the new Midwest Independent Transmission System Operator (MISO) work. The Indiana-based organization monitors electric transmission in 15 states and one Canadian province. The outfit is expected to improve reliability, find the cheapest energy available throughout the system and in the process save millions of dollars on electric bills. MISO has had a fairly smooth start, with a few glitches, but has yet to go through a high-demand summer.

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