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Deregulating Electricity Prices Saves Ohio \$3 Billion Each Year

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Deregulating Electricity Prices Saves Ohio \$3 Billion Each Year¹

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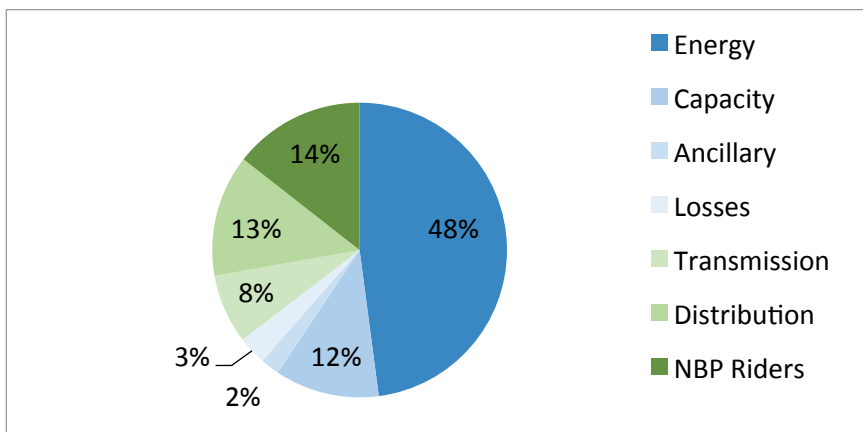
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- Electricity prices in Ohio include many components. For a typical mercantile user (greater than 700 thousand kilowatt hours per year), about 35% of the price is regulated and 65% is deregulated.
- Regulated components include transmission, distribution, and “non-bypass-able riders.” The “riders” support social programs and utility subsidies.
- Deregulated components today include the costs of generating electricity and the costs of supporting standby capacity, which is needed to support periods of peak demand. Figure One shows the component parts the total price for the average mercantile customer in Ohio in 2016 (regulated in green, deregulated in blue).

Figure One. Structure of Mercantile Electricity Price in Ohio, 2016.²



- The Public Utilities Commission of Ohio (PUCO) now requires utilities that transmit and distribute power to use market-based auctions to purchase electricity from generating companies at competitive prices. This new competition lowers the price of utility-offered

¹ For more information see, “Electricity Customer Choice in Ohio: How Competition Has Outperformed Traditional Monopoly Regulation” at http://engagedscholarship.csuohio.edu/urban_facpub/1416/. Email to a.r.thomas99@csuohio.edu.

² Assumes 47% load factor for secondary user, 67% for primary user.



Focus on Facts

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electricity generation service, known as the Standard Service Offer (SSO), or the “Price to Compare” (PTC).

- Consumers can either accept the PTC or shop for a better offer. In 2015 over 70% of users in Ohio chose to shop for a better offer. Table One summarizes the savings that Ohio consumers have experienced from competitive PTCs and shopping between 2011 to 2015.

Table One: Total Savings Due to Deregulation in Ohio, 2011-2015 (millions of dollars)

<u>Year</u>	<u>Shopping</u>	<u>SSO</u>	<u>Total</u>
2011	\$496.7	\$2,395.0	\$2,891.7
2012	\$443.3	\$2,366.0	\$2,809.3
2013	\$744.1	\$2,342.0	\$3,086.1
2014	\$824.2	\$2,380.0	\$3,204.2
2015	\$645.2	\$2,339.0	\$2,984.2
Total	\$3,153.3	\$11,822.0	\$14,975.3

- Price competition also creates strong incentives for cost-savings and innovation within Ohio’s electrical energy market. Examples include demand response programs, load management, and indexed pricing.
- Deregulation benefits have been offset in part by rising regulated, non-bypass-able costs. Figure Two demonstrates how this has been the case, for example, in AEP’s Columbus Southern secondary territory.

**Figure Two: Regulated and Unregulated Charge Profile, 2011-2016
AEP Columbus Southern Territory**

