Update on Electricity Customer Choice In Ohio: Competition Continues to Outperform Traditional Monopoly Regulation (Executive Summary)

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The purpose of this study is to provide an update to the research team’s 2016 report “Electricity Customer Choice in Ohio: How Competition Has Outperformed Traditional Monopoly Regulation” using data for 2016 through 2018.

Key Findings at a Glance:

Deregulated Markets Save Ohio Electricity Consumers Billions
- Since 2011, deregulation has saved Ohio consumers $23.9 billion.
- The Study Team anticipates that savings will continue for the near term to be around $3 billion per year. However, these savings may be lost, in whole or in part, if deregulated energy markets continue to be undermined by cross subsidies.

Competition Outperforms Monopoly Regulation
- Competition has driven down average electricity prices in deregulated Midwestern states while their regulated peers have seen a steady increase in price of generated electricity.

Competitive markets have proven to be a powerful tool to deliver value to Ohio’s ratepayers. Efforts to undermine the efficiency of these markets...are a threat to Ohio’s economic development and wellbeing.

—The Ohio State University and Cleveland State University Research Study
Since 2011, deregulation has saved Ohio consumers $23.9 billion. Of this total savings, $19.5 billion resulted from competitive auctions driving down the price of the utilities’ Price to Compare (PTC). These savings are realized by Ohio electric consumers who obtain their power from the default generation service that sets the price for this utility service. An additional $4.4 billion has been saved by consumers who contracted with Competitive Retail Electric Service (CRES) providers or governmental aggregators and were able to negotiate electricity prices below the PTC.

The 2016 report analyzed data through 2015 and estimated that Ohio consumers had saved about $3 billion per year, $15 billion in total, through deregulation between 2011 and 2015. That report set forth two types of savings:

- “Shopping” are those costs avoided through purchasing electricity from a CRES provider, rather than defaulting into the Standard Service Offer (SSO) (used to create the PTC).
- “SSO Auction” are the savings resulting from utilities setting their SSOs through a competitive auction process, rather than the traditional cost-based accounting method that was used in Ohio before deregulation.

2. Competition has driven down average electricity prices in deregulated Midwestern states (Ohio, Pennsylvania, Illinois), while their regulated peers (Indiana, Michigan, Wisconsin) have seen a steady increase in price of generated electricity. Ratepayers in these regulated states are saddled with the cost of aging, uneconomic power plants, while competitive markets in the deregulated states have incentivized investment into new efficient and cost-effective generation and have accessed wider multi-state markets for generated electricity. Deregulation has also led to the adoption of dynamic pricing programs and more renewable energy resource offerings.

Competitive markets have proven to be a powerful tool to deliver value to Ohio’s ratepayers. Competitive rates are attractive to businesses looking to locate in Ohio. Any attempt to derail competitive generation markets would cause significant harm to all of Ohio’s electric consumers and to Ohio’s economy.

The Study Team anticipates that savings will continue for the near term to be around $3 billion per year. However, these savings may be lost, in whole or in part, if deregulated energy markets continue to be undermined by cross subsidies of uncompetitive Investor Owned Utility (IOU) generation through Electric Distribution Utility (EDU) riders and surcharges, or through legislatively-mandated, above market Power Purchase Agreements (PPAs) and subsidies.

Despite the many benefits of competition, there have been continuing threats to deregulated electricity markets in Ohio. Investor Owned Utilities have used Ohio’s regulatory system to obtain cross-subsidies to support their unprofitable generating facilities through riders and surcharges collected by their regulated Electric Distribution Companies on consumers’ bills. The costs charged to Ohio consumers through these riders and surcharges are not directly related to the purchase of electric power itself. These efforts have served to undermine the billions of dollars of benefits consumers have realized from competitive markets and have prevented consumers from realizing the full benefits from deregulation.

To read the full study and to learn more about how to support energy choice, go to www.saveenergychoiceohio.org.

ABOUT NOPEC
NOPEC (Northeast Ohio Public Energy Council) is a non-profit group of over 230 communities in 17 Ohio counties that negotiates lower utility rates for its members. As Ohio’s largest public retail energy aggregator, NOPEC buys gas and electricity in bulk to help lower customers’ utility bills. Since 2001, NOPEC has saved residents and businesses over $300 million and awarded more than $28 million in energy-efficiency grants to NOPEC member communities. For more information about NOPEC, visit www.nopec.org.